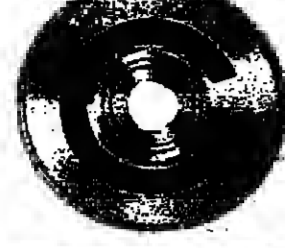
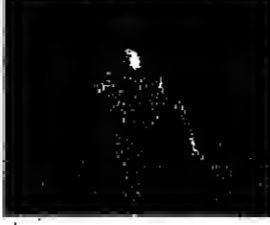


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FINANCIAL TIMES



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Vietnam's high-flyer
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http://www.ft.com

TUESDAY AUGUST 6 1996

EU poised to quit Mostar as Croats refuse to move

The European Union was last night on the brink of abandoning its two-year mission to re-unite the town of Mostar after Croats refused to accept the results of city elections which they lost to their Bosnian Muslim rivals, international mediator Carl Bildt said. The EU should not make any concessions. "We are not in the deadline extension business. It is a matter of principle and we cannot give in." Page 12; Editorial Comment, Page 11

US raises income by a third Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SF1.1bn (\$920.3m) with a surge to profits from its trading and investment banking operations. Page 18; Lex, Page 12; World Stocks, Page 32

Strong air traffic growth forecast Passenger traffic on Europe's big airlines is expected to grow by 6.4 per cent a year for five years, marginally up on long-term forecasts, the Association of European Airlines said. Page 2

Turkish army expels Muslims The strongly secular Turkish army expelled 13 soldiers for "reactionary activities", a euphemism for propagating Islamic fundamentalism in the ranks. Page 2

Pearson sells Westminster Press Information, publishing and entertainment group Pearson announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for \$280m (\$476m). Page 18; Details, Page 17; London Stocks, Page 28

Austrians oppose Nato membership A majority of Austrians is opposed to joining Nato, but thinks it will happen anyway, a poll in the Vienna daily Der Standard shows. Page 2

HSBC first-half profits climb City analysts upgraded their forecasts for HSBC after the international banking group raised first-half profits by more than a third to £2.32bn (\$3.6bn). Page 18; London Stocks, Page 28

Malaysia threatens import controls The Malaysian government warned that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit. Prime minister Mahatma Mohamad said quotas and import permits might be introduced to curb imports of non-essential goods. His warning comes as several east Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth this year after enjoying rapid expansion. Page 12

Belfast march re-routed The Royal Ulster Constabulary re-routed a Protestant Apprentice Boys parade through Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Londonderry march on the same day. Page 6

US healthcare groups combine Californian healthcare company PacificCare Health Systems acquired FHP International, also of California, for \$2.1bn to create the US's fifth largest healthcare organisation. Page 15; Details, Page 16

Burma dismisses US economic report Burma's military junta described as politically motivated a US report that Burma's economic growth had been widely overstated. Page 3; Burma hits back at European beer companies. Page 5

Buenos Aires mayor walks into row Fernando de la Rúa of Argentina's opposition Radical party today becomes the first elected mayor of Buenos Aires amid arguments over how much autonomy the capital should have. Page 4

Death penalty sought for Chun South Korean prosecutors asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition. Page 3

FT.Coms The FT web site provides online news, comment and analysis at <http://www.ft.com>

| STOCK MARKET INDICES | | GOLD | |
|-----------------------|-----------|--------------------|-------------------|
| New York Composite | +0.25 | New York Gold | 385.0 (385.2) |
| Dow Jones Ind Av | 5,888.08 | Dec 3 | 385.0 (385.2) |
| NASDAQ Composite | -1,128.78 | London | 380.2 (380.4) |
| Europe and Far East | | | |
| CAC40 | 2,013.19 | | |
| DAX | 2,520.83 | | |
| FT-SE 100 | 3,780.3 | | |
| Nikkei | 21,877.47 | | |
| US LUNCHEON RATES | | DOLLAR | |
| Federal Funds | 5.25% | New York Composite | +0.25 |
| 3-mth Treas Bill: Yld | 5.15% | DM | 1.483 |
| Long Bond | 5.0% | FFY | 5.92765 |
| Yield | 5.74% | SFY | 1.2835 |
| | | Y | 106.746 |
| OTHER RATES | | STERLING | |
| UK 3-mo bill rate | 5.75% | London | 2.15438 (2.15423) |
| FR 10 yr Govt | 6.75% | DM | 1.4813 (1.4778) |
| France: 10 yr Govt | 6.75% | FFY | 5.92685 (6.0119) |
| Germany: 10 yr Bond | 5.0% | SFY | 1.2822 (1.2835) |
| Japan: 10 yr JGB | 5.0% | Y | 106.83 (106.945) |
| NORTH SEA OIL (Argus) | | | |
| Brent Blend | 219.00 | DM | 2.2290 (2.2783) |
| | (18.8) | Telco class: | Y 106.85 |

| ALPHA | | DELTA | | Epsilon | |
|---------|--------|---------|--------|---------|--------|
| Algeria | 125.00 | Algeria | 125.00 | Algeria | 125.00 |
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| Algeria | 125.00 | Algeria | 125.00 | Algeria | 125.00 |

Dole proposes \$548bn in tax cuts

Economic plan projects balanced budget by 2002

By Patti Waldmeir in Washington
Senator Bob Dole yesterday announced a \$548bn tax-cutting plan aimed at boosting both economic growth in the US and his own flagging presidential election campaign. The long-awaited economic programme, subject of intense debate within Mr Dole's Republican party, calls for a 15 per cent across-the-board cut in income tax rates, a halving of capital gains taxes to a maximum 14 per cent, and a \$500-a-child tax credit. It also projects a balanced budget by 2002, but gives only sketchy details of how the tax cuts would be paid for. Mr Dole's aides hope the plan will capture favourable headlines in a campaign so far dominated by President Bill Clinton, who holds a double-digit opinion poll lead. By choosing a simple and dramatic version of the various tax cuts debated by his advisers for weeks, aides hope Mr Dole will tap a popular Republican campaign theme. However, Mr Dole has risked his career-long reputation for putting deficit reduction ahead

of cutting taxes. He has long been a critic of supply-side economists who argue that tax cuts will largely pay for themselves by boosting growth and tax revenues. His proposals project that increased growth will pay for \$147bn of the \$548bn cost of tax cuts over six years. The rest would be covered by the sale of unallocated broadcast frequencies along with spending reductions, though it would not involve further cuts in Medicare - health insurance for the elderly - social security or defence spending. Mr Dole insisted his plan would not jeopardise budget balance. "Deficit reduction is in my blood and a balanced budget will be my legacy to the American people." His aides stressed that growth would be boosted not only by income tax cuts, but also by the capital gains tax reductions, and a plan to reduce government regulation and overhaul the legal system. The plan also calls for passage of a balanced budget amendment.

Continued on Page 12
Dole grasps nettle, Page 4
Editorial Comment, Page 11

Brussels plan to let debtors pay using euro

By Gillian Tett in London

The European Commission has backed away from a controversial plan to discourage foreign exchange speculation against the future single currency. Its latest draft proposals for European monetary union have dropped the idea that financial contracts which challenged official Ecu parities would be unenforceable. This retreat has pleased investment bankers, who argued that legislation against currency speculation would be unworkable. But the Commission, which plans to present its legal framework for Ecu to governments this autumn, is now proposing other means to bolster the market credibility of the euro during the three-year transition period to a single currency after 1999, and to prevent speculation against it.

The Commission has suggested that anybody who owes a debt due between 1999 and 2002 should be able to repay it in either euro or the national currency. This could occur irrespective of the wishes of the lender, unless special legal provisions had been drawn up in advance. This proposal marks an attempt to deal with the complexities of the transition period from 1999 until euro notes and coins are introduced in 2002. During this period, the euro will exist as a unit of account. The national currencies will be considered to be denominations of this, set at "irrevocable" conversion rates - just as the US cent is considered a denomination of the dollar. The European Monetary Institute, forerunner of the European central bank, had



Benjamin Netanyahu visited the royal palace in Amman yesterday on his first official visit to Jordan as Israel's prime minister. Amid speculation about a fresh peace initiative, he said Israel had submitted a proposal to Syria to renew talks. Report, Page 4

Chinese to buy advanced military radars

By Bernard Gray in London

China is to buy airborne early warning radars from Britain, increasing the capacity of the Chinese navy and air force to patrol disputed areas such as the Taiwan Strait and the Spratly Islands in the South China Sea. In a deal negotiated in the past two weeks, Racal, the British defence and electronics company, will supply between six and eight of its Searchwater surveillance radars to the Chinese navy. China is also negotiating with Israel Aircraft Industries to buy its Phalcon airborne early warning radar for the Chinese air force.

Racal yesterday refused to comment on the order, saying the company never discussed such contracts. The radar purchases are part of an effort by China to strengthen its air force and navy, which are trailing behind those of Asian economies such as Korea and Taiwan. China's ageing MiG fighter fleet is no match for the French Mirage fighters which Taiwan has ordered, and Chioa's ships lack long-range radar cover for patrols outside its coastal waters. For 10 years China has been debating how to improve the

Continued on Page 12

Belgian curb on drink ads 'unfair to imported wines'

By Neil Buckley in Brussels

A Belgian law banning advertisements for drinks containing more than 10 per cent alcohol by volume is being challenged by the European Commission which says the law unfairly favours the Belgian national drink - beer. The Commission says the ban means beer is effectively the only alcoholic drink that can be advertised, penalising wine, most of which is imported into Belgium and is only marginally stronger. Belgium says the law is designed to protect health and prevent alcohol abuse by restricting promotion of stronger drinks, and denies it is a protectionist measure. The country brews several hundred different beers, ranging from well-known brands such as Stella Artois, to rare, traditional varieties produced by Trappist monks. It produced 14.85m hectolitres of beer in 1994, and had the fifth

highest annual consumption per capita in Europe, at 108 litres, according to the European brewers' association.

The EU executive says two examples of case law in the European Court rule that beer and wine should be viewed as competing products, subject to the same treatment under the law. It is preparing a case for the European Court to make sure wine has equal rights to be advertised. Brussels is also challenging rules in another beer-loving country - the UK. It has ordered the UK to change the rules on "guest beers", draught beers brewed by one brewer sold in pubs tied by contract to a different brewer. It says the rules exclude draught beers brewed by other member states because they specify that guest beers must be brewed by a fermentation process used only in the UK. The Commission argues that the restriction is a breach of EU law on free movement of goods and the UK has been told to change them within 40 working days, or face European Court action. The rules, drawn up after a shake-up of the UK brewing sector in 1989 to promote traditional "real" ales, say guest beers must use a process known as "bottom fermentation". The Commission says this discriminates against "top-fermented" lagers from other EU states, which may still come from small brewers using traditional methods. It suggests the UK adopts rules that stipulate guest beers must come from smaller breweries using traditional methods, but without barring top fermentation. Brussels' move was met with anger yesterday in the UK. The Brewers and Licensed Retailers Association said the UK already had the most open beer market in the European Union, stocking and importing many more brands than other EU states.

BREITLING
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NAVITIME: ON COURSE AND ON TIME. With time a crucial aspect of air travel, pilots and navigators have long viewed their watch as their basic personal instrument. Even with today's sophisticated navigation satellites and radio beacons, "flight computers" like the NAVITIME are still used for routine calculations. A slide rule of this kind is built into NAVITIME mechanical chronographs. The pilot's sole personal instrument, today's NAVITIMEs are based on a design voted official watch of the Aircraft Owners & Pilots Association in 1952. Relentlessly improved since then, NAVITIMEs are totally efficient and fascinating to operate while their good looks remain as unmistakable as ever.

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INSTRUMENTS FOR PROFESSIONALS

Deutsche Bank assails politicians and media for 'astounding' neglect

US indifference to Emu deplored

By Andrew Fisher in Frankfurt
Germany's biggest bank yesterday delivered a damning verdict on US indifference towards European monetary union...

this lack of interest. "Most Americans have not heard about Emu and those who have could not care less," wrote Mr Mieczyslaw Karczmarski...

is really regrettable. Preoccupation with domestic affairs is not an excuse for neglecting developments in Europe...

Arguing that the US had for long periods been a "reluctant internationalist", Mr Karczmarski said the end of the cold war and the Soviet collapse made it less compelling for the US to preoccupy itself with Europe...

the past than isolationism, Mr Karczmarski said. "The US's indifferent attitude to the massive reorganisation and transformation of Europe is tantamount to abdication of the US international role..."

worried that Emu would lead to a stronger dollar - as the D-Mark's strength was diluted within the single currency zone of the euro - thus diminishing their export competitiveness and overseas profits.

Turkish generals aim at Islamists

By John Barham in Ankara
Turkey's army, a bulwark of secularism, has expelled 13 soldiers for "reactionary activities"...

France bids adieu to one of the founders of the republic



President Chirac embraces the widow of Michel Debré, France's first prime minister under President Charles de Gaulle in 1958, at his funeral yesterday. Debré, who drafted the constitution for France's Fifth Republic, died on Friday aged 84.

Slovaks to gather bond windfall

By Vincent Boland in Bratislava
More than 3m Slovak citizens have the opportunity from this week to collect an unexpected windfall when a bond issue that replaced coupon privatisation begins public trading.

Neutral Austrians deeply split over whether to join Nato

A poll shows a majority believe Vienna will sign up anyway

A majority of Austrians are opposed to joining Nato, but they think it will happen anyway, according to a poll in the Vienna daily Der Standard.

rushed into a decision by his coalition partners. Earlier this year, the two parties agreed to postpone any decision on WEU membership until the first quarter of 1998.

ern part of the country. The policy of non-alignment became extremely popular and was widely seen as a central element in Austria's post-war identity.

Eric Frey looks at the choices on security facing an EU recruit

If, as some experts expect, Hungary, the Czech Republic and Slovenia join the alliance, Austria will be almost completely surrounded by Nato countries.

Ciampi will press case at today's cabinet for hiving off non-core businesses

Rome to decide on speeding Stet sale

By Robert Graham in Rome
Italy's centre-left government is expected to decide today whether to accelerate the privatisation of Stet, the state telecoms group, by hiving off non-core businesses.

Italian inflation slows

Italy's inflation rate fell in July to an annualised 3.6 per cent from 3.9 per cent the previous month, according to figures released yesterday by Istat.

European air traffic to grow

Passenger traffic on Europe's big airlines is to grow by 6.4 per cent each year for the next five years, marginally up on long-term forecasts, the Association of European Airlines (AEA) said yesterday.

THE FINANCIAL TIMES
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Commission under which the state holding must reduce its debt by almost £20,000bn by the end of this year.

activity from the telephone business which will be subject to the regulatory authority. It feels Brussels is only likely to be accommodating in postponing the deadline on Iri's debt reduction if the Stet sale is at least partly under way.

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Bonn urges EU review on BSE

The German government will ask the European Union to review the measures taken so far to combat bovine spongiform encephalopathy (BSE), or mad cow disease, following last week's report by British scientists that suggested cows could pass on the disease to their calves.

The German government is planning sweeping tax cuts which could reduce the highest income tax rate from 53 per cent to 40 per cent starting from 1999, Mr Theo Waigel, the finance minister, said yesterday.

The Italian anti-trust commission said yesterday it had opened an inquiry into recent sharp price rises in the car and motorcycle insurance market.

The Italian government last week called on insurers to offer more competitive motor rates, complaining that the insurance market was still not functioning well.

Russia's central bank has helped restore financial stability to Unicombank, one of the country's largest commercial banks, and is releasing it from temporary administration.

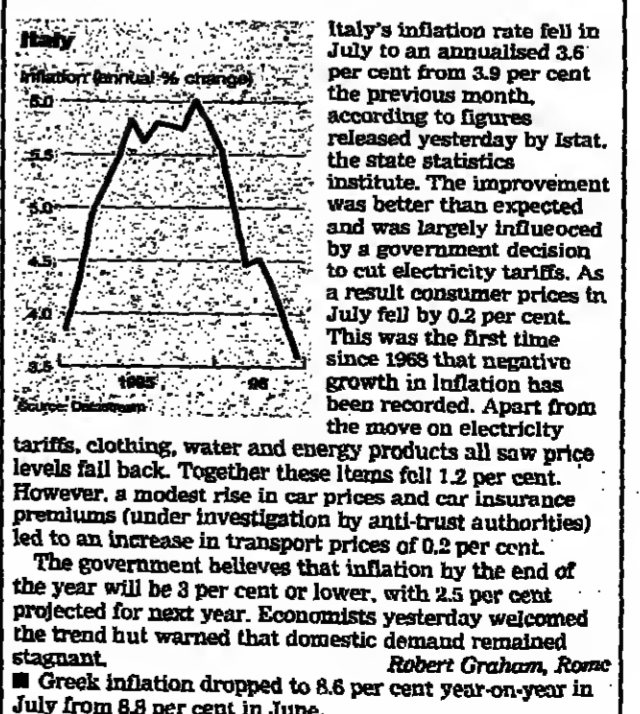
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Passenger traffic on AEA airlines grew 8.9 per cent year-on-year in June.

ECONOMIC WATCH

Italian inflation slows



Burmese
Death pena
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prosecu
Calls grow
Malaysia p
monopoly
Pressure

صوتنا من الامل

Embassy's report pointing to overstated growth branded as politically motivated

Burmese junta dismisses US survey

By Ted Bartacke in Bangkok

Burma's military junta yesterday described a US report on the country's economy as politically motivated. In its annual economic survey of Burma, the US embassy in Bangkok says economic growth has been widely overstated by misleading accounting practices. Defence spending now accounts for 41 per cent of all government expenditure and forced or involuntary labour is equivalent to about

3.1 per cent of the country's gross domestic product, the survey says. The report, released yesterday, has been blasted by officials of Burma's military junta, who say the report's attempt to correct statistical distortions caused by the country's dual exchange rate and by lack of reporting on military spending is politically driven. The US government has been the most vocal international critic of Burma's military regime because of its human rights record and its

alleged tolerance of drug-trafficking activities. US pressure groups have been at the forefront of a campaign to convince multinationals to withdraw from Burma. Gen David Abel, Burma's economic development minister, said yesterday: "The intention of floating such a report is to seed doubt and cause mischief." He said defence spending was only 5.10 per cent of the national budget. Official Burmese statistics make no mention of defence spending.

Last year the World Bank estimated defence spending accounted for 50 per cent of current government expenditure in fiscal year 1993-94 and 45.9 per cent in 1994-95. Economists say the level of military spending is important because it is the single most important factor in Burma's chronic fiscal deficit - which stands at 11.5 per cent of GDP - and in its 28 per cent annual inflation. Growing military imports, which the government stopped reporting three years ago, are also pushing

up the country's external debt and are partly to blame for Burma's external arrears, which the World Bank estimates at \$1.5bn, up 83 per cent from three years ago. Exchange-rate adjusted economic growth for each of the past two years was 4.6 per cent, the US Embassy said, compared with 5.9 per cent and 6.8 per cent claimed by the Burmese government. Some of this growth can be attributed to a transfer of activity from the black market to the legal economy since trade was liberalised.

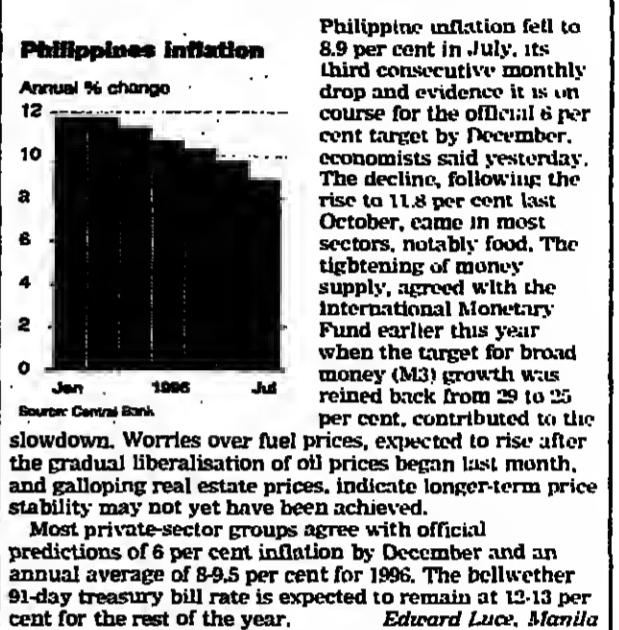
The report also hints at the growing influence of drug and other extra-legal money, now that several drug-producing ethnic groups have been "brought into the legal fold". Net private transfers of foreign currency have substantially exceeded foreign direct investment for the past two years and the Burmese government "now makes no perceptible effort to bar investments funded by the production or export of narcotics," the report says.

ASIA-PACIFIC NEWS DIGEST

China opens up Xinjiang

China is stepping up development of its oil-rich and potentially troublesome western Xinjiang region with the allocation this year of Yn12.2bn (\$1.36bn) for investment, mostly infrastructure, the People's Daily reported yesterday. Some 30 projects had been identified for central government support, including roads, oilfields and power plants. Beijing will provide 70 per cent of funding for key projects, the rest coming from local authorities and business. The region is attracting attention as an increasingly important cotton and grain-growing area. The Taklamakan Desert, including the Turim Basin, is also believed rich in gas, but the cost of developing oil and gas fields in such a remote location is deterring foreign investors. China has built a small pipeline, but this would be inadequate for full-scale commercial development. Tony Walker, Beijing

Philippine inflation falls



Philippines inflation Annual % change Source: Central Bank

Philippine inflation fell to 8.9 per cent in July, its third consecutive monthly drop and evidence it is on course for the official 6 per cent target by December, economists said yesterday. The decline, following the rise to 11.8 per cent last October, came in most sectors, notably food. The tightening of money supply, agreed with the International Monetary Fund earlier this year when the target for broad money (M3) growth was reined back from 29 to 25 per cent, contributed to the slowdown. Worries over fuel prices, expected to rise after the gradual liberalisation of oil prices began last month, and falling real estate prices, indicate longer-term price stability may not yet have been achieved. Most private-sector groups agree with official predictions of 6 per cent inflation by December and an annual average of 8-9.5 per cent for 1996. The bellwether 91-day treasury bill rate is expected to remain at 12-13 per cent for the rest of the year. Edward Luce, Manila

Megawati calls in lawyers

Mrs Megawati Sukarnoputri, the ousted Indonesian opposition leader, yesterday sent lawyers to represent her at police questioning about her role in allegedly inciting last month's riots in Jakarta, the worst in two decades. Her lawyers said she was prepared in principle to answer any questions in line with her strategy of taking her battle over the party's leadership to court. Ms Megawati was ousted as leader of the opposition Indonesia Democratic party by a rival government-backed faction. Meanwhile, Major-General Syarwan Hamid, head of the military's socio-political section, accused "labour organisations" in Australia of financing a group of political activists whom the military accuse of masterminding the riots. But no plans are in hand to complain to the Australian authorities. Marnela Saragosa, Jakarta

IMF warns on Thailand

Thailand's only hope for an "enduring improvement" in its monetary controls is a more flexible exchange rate system, the International Monetary Fund says in a confidential report. The IMF concluded the central bank's monetary controls were inherently weak. "As Thailand's capital account has become increasingly open with financial liberalisation, the scope for an autonomous monetary policy (given the fixed exchange rate regime) has been steadily eroded." The report says Thailand must relax its fixed exchange rate system to restrain the tide of short-term capital flooding in and compromising financial stability. Thailand had two options: widening the band in which the baht trades against the dollar, or changing the basket of currencies to which it pegs the baht. The inflexibility of the baht imposes "constraints on available policy instruments to respond effectively to shocks" from the current account or sharp increases in capital inflows, the report adds. AP/D, Washington

Elliott cleared on one charge

Mr John Elliott, former head of the Elders IXL brewing and agribusiness conglomerate, was yesterday acquitted on one of the charges he faces in relation to alleged fraudulent foreign exchange dealings, dating back to 1988. In the Supreme Court, Justice Frank Vincent recorded a not guilty verdict on a charge of giving false evidence to Australia's National Crime Authority. Two of Mr Elliott's former colleagues, Mr Peter Scanlon and Mr Kenneth Higgins, were also found not guilty on the same charge. They still face charges of theft and conspiracy to defraud. The case centres on two foreign exchange transactions totalling A\$68.5m (US\$51.5m) between Elders and Bank of New Zealand in 1988. Nikki Tait, Sydney

Death penalty sought for Chun by prosecutors

By John Burton in Seoul

South Korean prosecutors yesterday asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition. Even if the Seoul district court upholds the suggested punishments at a sentencing session later this month, most analysts believe Mr Kim Young-sam, the South Korean president, will eventually use his executive privilege to reduce the penalties to shorter prison terms.

The proposed sentences, which were expected, followed a six-month trial that focused on their roles in a 1979 coup that brought them to power, and the subsequent 1980 massacre of at least 200 pro-democracy demonstrators in the south-western city of Kwangju. The ex-presidents are also facing separate charges of allegedly accepting a combined total of almost \$2bn in corporate bribes during their consecutive terms of office between 1980 and 1993. Fourteen other persons, most of them former military colleagues of the two ex-presidents, face possible prison terms of 10-15 years. The suggested death penalty for Mr Chun reflected his role as the leader of the 1979 army coup and his position

as martial law commander when the Kwangju massacre occurred in May 1980. Mr Chun, who subsequently became president in August 1980, is an unpopular figure in Korea because of his seven years' rule. In contrast, Mr Roh, who succeeded him in 1987, was considered to have had a subservient role in the army coup and is credited with paving the way for democratic rule as president. It was Mr Roh's admission last October that he accepted \$650m in corporate payments that triggered a series of events that led to the trial of the two ex-presidents. His arrest last November on corruption charges provided an opportunity for Mr Kim, a former political dissident, to pursue Mr Chun as well, on sedition charges.

Their trial has been marked by controversy, with lawyers for most of the defendants having resigned in the past month to protest at what they claimed was the prejudicial attitude of the court judges. Supporters of Mr Chun have also accused Mr Kim of conducting a vendetta to wrest control of the ruling party from allies of the two ex-presidents, while trying to divert attention from allegations about the financing of Mr Kim's presidential campaign in 1992.

Jeremy Grant meets Vietnam's newest recruit to the politburo Age no barrier for favourite son of Ho Chi Minh City

He is snappily dressed in a dark suit complete with tie pin. His slicked-back hair looks as if it has been given a dose of gel. He smiles as he offers his business card. It is headed "Communist Party of Vietnam".

Mr Truong Tan Sang is the party's highest flyer and, as Vietnam's youngest recruit to the ruling politburo, is the country's most talked-about politician. At 47, Mr Sang is chairman of the Ho Chi Minh City branch of the Communist party, an appointment made during the party's five-year congress at the end of June. The post comes with a seat on the politburo, the highest decision-making body in the land.

Yet nothing in his curriculum vitae marks him out as a high achiever. His only executive position before becoming mayor of the city in 1981 was at the helm of a state-run forestry concern. Unlike many technocrats of his age, he was not trained in the former Soviet Union. Instead, he took evening classes at Ho Chi Minh City university, earning a law degree. Thus armed, he will now have to share power in the 18-member politburo with the revolutionary septuagenarians who have dominated the political landscape in the decade since the country's *doi moi* economic reforms began. He will also sit alongside two military men who masterminded Vietnam's invasion of Cambodia in 1979.

He brushes aside suggestions that the older generation do not fully trust the party's younger bloods, an attitude many observers say was behind the ruling troika's refusal to relinquish power at the recent party congress. "The older generation of revolutionaries fully trust the younger generation. [Membership] is an opportunity for me to acknowledge the guidance of the older generation that has helped and guided us through wartime and during the renovation period."

Mr Sang is clearly an intuitive politician but he is also a loyal party man. It is perhaps this, more than anything else, that propelled him to his current position, in spite of his age. For the last five years, as chairman of the Ho Chi Minh City people's committee he has presided over dramatic changes in one of south-east Asia's fastest growing cities. Last year, Ho Chi Minh City's gross domestic product growth was about 15 per cent. Foreign investors have pumped millions of dollars into projects in and around the city. Local businesses - most of them ethnic Chinese previously the victims of economic and political discrimination - are flourishing as never before. Unlike his counterparts elsewhere in Vietnam, the Ho Chi Minh City people's committee is much more than an administrative body. It is also a sprawling business machine, having inherited factories, hotels and a huge property



Holding the confidence of the party: Truong Tan Sang is their highest flyer

portfolio from the US-backed South Vietnam. Many of the people's committee business units are linked in lucrative joint ventures with foreign investors. Mr Sang sums up his business philosophy thus: "In a multisectoral economy, it's inevitable to have rich and poor. In Vietnam, we say 'let those who have favourable conditions enrich themselves first, and then let those less fortunate enrich themselves later, thanks to the support of those who have already become rich'."

Commercial pragmatism and loyalty is a combination that the Communist party feels it needs from its cadres as it tries to steer Vietnam towards a market economy while maintaining full political control. There are two problems with this. No one knows if it will work. And there are precious few party members like Mr Sang, who has managed to protect the business interests of the people's committee while allowing the nascent private sector a degree of latitude. The private sector is viewed with extreme ideological suspicion by the party, and faces wide-ranging economic discrimination. Foreign economists see it as the country's best hope for sustainable economic growth.

Calls grow for Malaysia power monopoly end

By James Kyng in Kuala Lumpur

The share price of Tenaga Nasional, Malaysia's semi-privatised electricity utility, plunged yesterday after an almost nationwide blackout at the weekend hit the company's reputation and prompted calls for its transmission monopoly to be terminated. Tenaga's shares, which account for nearly 10 per cent of the Malaysian stock market's capitalisation, closed down 4.41 per cent to M\$9.75. Investors were concerned that companies forced to stop production for the 15-hour power cut from Saturday evening to Sunday morning would demand compensation from Tenaga. Some analysts said losses at companies from the power cut, originating in the eastern state of Terengganu where much of the grid dates from the 1970s, could exceed M\$100m (\$40.5m).

Market analysts said Tenaga's transmission and distribution monopoly, previously guaranteed until 2000, could be in jeopardy. The Federation of Malaysian Consumers Association suggested yesterday a parallel grid should be built and run by some or all of five independent power producers (IPPs) which have begun generating since 1994. The suggestion appeared to be echoed by Mr Anwar Ibrahim, deputy prime minister and finance minister, who said the current grid was "not acceptable". Dr Mahathir Mohamad, the prime minister, summed up a mood of anger and shame within the government. "Where are we going to hide our faces," he said. "We invited people to invest, and now their factories are affected and the aircraft cannot take off."

Dr Mahathir last week invited the world's top information technology companies to invest in an ambitious 750 sq km "multimedia super-corridor", a central plank in Malaysia's vision of becoming fully industrialised by 2020. To achieve that goal, when wages are rising and a labour shortage is eroding its traditional competitive advantages, Malaysia needs to provide reliable and efficient utilities. Tenaga had pledged to keep power cuts to a minimum and observers said its failure could serve it ill when the government decided whether to allow it to increase power price rises. A delay in implementing price rises this year was the main factor behind a decline in Tenaga's net profits to M\$370m in the half year to February 29 this year from M\$798m in the previous period.

Foreign investors have pumped millions of dollars into projects in and around the city. Local businesses - most of them ethnic Chinese previously the victims of economic and political discrimination - are flourishing as never before. Unlike his counterparts elsewhere in Vietnam, the Ho Chi Minh City people's committee is much more than an administrative body. It is also a sprawling business machine, having inherited factories, hotels and a huge property

Vote on nuclear reactor fails to sway Tokyo

By Enriko Tarazono in Tokyo

Results of Japan's first local referendum over a nuclear project, at Maki in northern Japan, would not affect the country's nuclear energy policy, the government said yesterday. Officials put on a brave face after the weekend vote by Maki residents to reject construction of a nuclear reactor in the town. However, the government already faces pressure to review its policy following a leakage at Monju, Japan's next-generation nuclear reactor, last December. "Given we have no alternative to the energy policy, we must consider nuclear energy as a main power source," Prime Minister Ryutaro Hashimoto said. Mr Setroku Kajiyama, chief cabinet secretary, said the referendum, where over 60 per cent of Maki's 30,000 residents voted against building the plant, covered only a single project and was not a rebuttal of the government's energy policy. Mr Ichiro Ozawa, leader of the New Frontier party, the leading opposition grouping,

said the result of the referendum should be reflected in Japan's energy policy. Under its long-term nuclear policy plan released in 1994, the government aims to increase total capacity of Japan's nuclear power plants to 70.5m KW to supply 40.2 per cent of the country's total energy needs by 2010. Plans to build a nuclear reactor in Maki were announced by Tohoku Electric Power in 1989 and since then have divided the town. The result of the referendum is not legally binding.

ing of the US dollar may help trade in the second half while a devaluation of the Chinese yuan would stimulate China trade, the key plank of re-exports. If the expected rise in US interest rates materialises in the second half, and is imported to Hong Kong via the currency link, consumer spending would be further subdued.

Pressure to revise HK forecasts grows

By Louise Lucas in Hong Kong

Pressure on the Hong Kong government to revise its full-year growth forecasts increased yesterday after official figures showed the economy grew 3.1 per cent in the first quarter against the same period of 1995. This was at a far

slower rate than the 5 per cent growth for the full year forecast by the government. Private-sector economists, forecasting full-year growth of 4.1-4.5 per cent, say the downward estimate will be forced to downgrade the estimate in the light of weak export growth through the first half and continuing poor consumer sentiment.

Yesterday's first-quarter figures showed re-exports registered a moderate 7.5 per cent growth in real terms against the same period last year, while domestic exports fell 7.4 per cent. Domestic exports have been dwindling as Hong Kong manufacturers relocate their operations in mainland China. Private consumption

spending grew 3.5 per cent in real terms and government expenditure 3.8 per cent. Consumer spending accounts for 80 per cent of gross domestic product. Retail sales have edged upwards and property prices are steady but many economists say the "feel-good" factor is still absent. Economists say a weaken-

easyJet Amsterdam Finance Director's Dream Ticket £35

NEWS: THE AMERICAS

Dole grasps nettle of balanced budget

Proposed constitutional change would tie politicians' hands, writes Michael Prowse

The most important element in Mr Bob Dole's long-awaited economic plan, unveiled yesterday, is not the proposed 15 per cent cut in income tax rates...

should be seen in perspective. The 15 per cent reduction in marginal tax rates - the rates paid on the last dollar of income...

The good news about the Republican convention is that few speeches will be longer than 10 minutes, Reuter reports from Washington...

convention in San Diego are working hard to make the four-day Bob Dole love-fest palatable to TV viewers...

Mr Dole provides only sketchy details of how the cuts would be made consistent with a balanced budget by 2002...

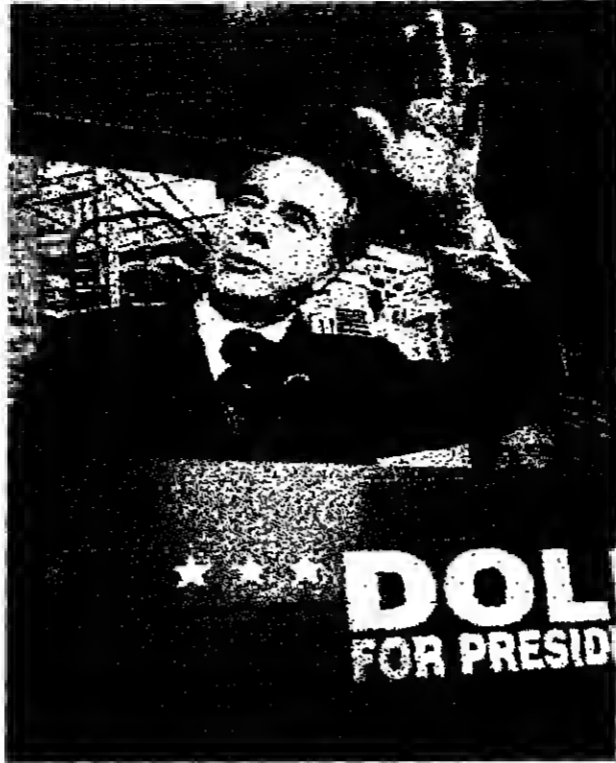
Mr Dole provides only sketchy details of how the cuts would be made consistent with a balanced budget by 2002...

would have to be. The tax cuts are part of a broader plan. Sounding suspiciously like Candidate Clinton in 1992...

Mr Dole argues that faster growth requires "a fundamental overhaul of the tax system". He would greatly reduce or eliminate the present biases against savings and investment...

Mr Dole would also seek faster growth by reducing the economic burden of federal regulations, which is currently estimated at about \$870m a year for \$8,000 per household...

Mr Dole would also seek faster growth by reducing the economic burden of federal regulations, which is currently estimated at about \$870m a year for \$8,000 per household...



Bob Dole: faster growth requires tax overhaul

improving opportunity from one generation to the next. But his recipe for reform is more radical than anything the Democrats have contemplated...

but a dose of competition. The Dole plan is an ambitious mixture of fiscal austerity and microeconomic reform. The goal of passing a balanced budget amendment to the Constitution while cutting marginal tax rates is not self-contradictory...

AMERICAN NEWS DIGEST

Index points to US growth

A key gauge of US economic activity strengthened in June, the Conference Board, a business analysis group, said yesterday...

The index of leading indicators, designed to forecast economic trends six to nine months ahead, rose by 0.5 per cent in June after a revised 0.2 per cent increase in May...

The overall monthly gain in the index during June was modestly stronger than anticipated by Wall Street economists who had forecast a 0.3 per cent rise...

The signals of rising activity in June were led by increased commodity prices, slower vendor deliveries, rising consumer expectations and a higher money supply...

The negative indicators were fewer new orders in June for durable goods and reduced orders for new plant and equipment...

Vesco awaits Cuban verdict

Mr Robert Vesco, the fugitive US-born financier on trial in Cuba on charges of fraud and illegal economic activity, faces a possible 20-year jail sentence after a Havana court adjourned at the weekend to consider its verdict...

The prosecution maintained its request for a guilty verdict and a 20-year term after a public hearing in which Mr Vesco was accused of trying to defraud the Cuban government and foreign investors in a project to develop an alleged wonder drug called TX...

Mr Vesco, who is also wanted in the US for drug-trafficking and embezzlement, denies the Cuban charges against him. Under the Cuban system, the court, which consists of judges and no jury, will deliver the verdict and sentence together.

Samper fined for noisy landing

French authorities fined Colombian President Ernesto Samper \$10,000 for making an unusually noisy landing with his Boeing 707 presidential jet at Orly airport in Paris...

Samper said Mr Samper, who suffered the indignity of having his US tourist visa revoked last month, was cited during an official visit to Paris last week for violating noise pollution controls. Orly also charged an additional \$1,000 for landing rights.

DR opposition wooed

Dominican Republic President-elect Leonel Fernandez met opposition party members on Sunday to bolster his party's weak showing in congress...

Set to take office on August 16, Mr Fernandez hopes to sell power plants and revise financial laws, which would require opposition support since his Dominican Liberation party controls less than 10 per cent of the legislature.

Buenos Aires mayor walks into self-rule row

By David Pilling in Buenos Aires

Mr Fernando de la Rúa of Argentina's opposition Radical party takes over today as the first elected mayor of Buenos Aires amid bitter arguments over how much autonomy the capital should enjoy...

the right to hold legislative elections and to set up a local police force and judiciary. "Buenos Aires is not a province, it is a municipality," said Mr Ruc-kauff, who represents the governing Peronist party on the constituent assembly...

The Radical party of Mr De la Rúa has the second highest number of delegates, with the Peronist party beaten into an embarrassing third place. Mrs Graciela Fernández Meijide, who heads the Frepaso delegation, said she would fight for the "total autonomy of the city"...

co-operation of the existing administration in Buenos Aires to ensure a smooth transition, has tried to play down the conflict. The new mayor, who takes over a rich city but one plagued by financial headaches, is also keen to preserve good relations with the national government...

assembly was appropriate," he said. "The autonomy of the city should be broad and, when the time comes, it will be." More than one newspaper columnist has likened that from today President Carlos Menem will be a "guest in De la Rúa City"...

Mr De la Rúa has made clear he will not accept federal intransigence in Buenos Aires affairs. "The declaration of the

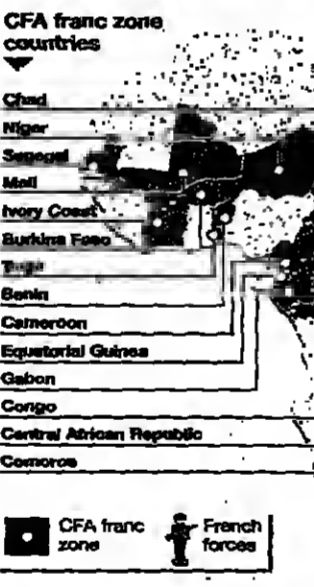
NEWS: INTERNATIONAL

Past stalks France's future in Africa

It was no coincidence, when France's President Jacques Chirac made his first visit to central Africa last month, that he chose to deliver his key speech in Brazzaville on the banks of the Zaire River...

Michela Wrong on a policy battle for President Chirac's soul

The French in Africa



ended up spending more time there than at home. The cronyism was not exclusive to the Gaullists. Despite a famous speech in which socialist President François Mitterrand promised to make aid conditional on democratic reform, he turned a blind eye to abuses...

state becomes insupportable. Last year Paris provided \$8.4bn in aid - some 0.55 per cent of GDP - to developing countries, most of them African, compared with Britain's 0.38 per cent. A recent report on aid, commissioned by Mr Juppé, is regarded by many as pointing the way ahead...

But for many critics of French policy, the shift will mean the end of France's role in Africa. Arguing that France's position in Africa is so strong it does not need a "special relationship" to protect its interests, deputy Yves Marchand called for an end to "tied aid" and the establishment of a level playing field when competing for contracts...

Clinton plea to US allies over Iran and Libya

By Nancy Dunne in Washington

terday condemned the legislation because it "establishes the unwelcome principle that one country can dictate the foreign policy of others"

President Bill Clinton yesterday signed a controversial bill imposing new sanctions on Iran and Libya and said he hoped US allies could be persuaded to co-operate with the measures against "two of the most dangerous supporters of terrorism in the world". The move, which also targets foreign companies making energy investments in Libya and Iran, aroused anger - and prompted warnings of retaliation - from European allies of the US...

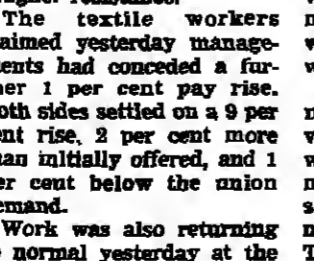
He welcomed next week's five-nation committee monitoring a limited ceasefire between Israeli forces and Hizbollah guerrillas.

S Africa workers claim strike victory

By Roger Matthews in Johannesburg

South Africa's 80,000 textile workers returned to work yesterday claiming victory in their week-long pay strike. A month-long dispute at the world's largest platinum mine also appeared close to full settlement.

South Africa



Eastenburg platinum mines where Anglo American last month dismissed 28,000 workers after what it said were impossible demands. Mr Tito Mboweni, the minister of labour, intervened in the dispute at the weekend following management warnings that the security situation at the mine was deteriorating. This followed the murder of a security guard, and a group of armed men intimidating workers at one of the mine hostels.

After two days of talks between Mr Mboweni, the mine managements and an unofficial workers' committee, it was agreed that the company would extend until August 16 the deadline for all dismissed workers to reapply for their jobs.

Signs of hope for Israel-Syria talks

By Julian Ozzanne in Jerusalem

Mr Benjamin Netanyahu, Israel's prime minister, said yesterday his government had submitted a proposal to Syria to renew peace talks amid speculation about a fresh diplomatic initiative in the Middle East.

The announcement came during Mr Netanyahu's first official visit to Jordan as prime minister, and followed what he called encouraging words from King Hussein of Jordan about Syria's intention to resume the peace talks. King Hussein met Syrian President Hafez al-Assad on Saturday.

"On our side there is readiness to renew the peace negotiations with Syria," Mr Netanyahu said. His comments fuelled speculation that Israel, the US and Jordan were co-ordinating a new initiative to revive comprehensive Middle East peace negotiations.

The Israeli leader said his foreign policy aide had made a new proposal to Syria through the US last Friday. This move followed Mr Netanyahu's so-called "Lebanon first" proposal whereby Israeli troops would withdraw from a south Lebanon occupation zone if pro-Iranian Hizbollah guerrillas were disarmed and Israeli border security guaranteed.

صوتنا من الاعمال

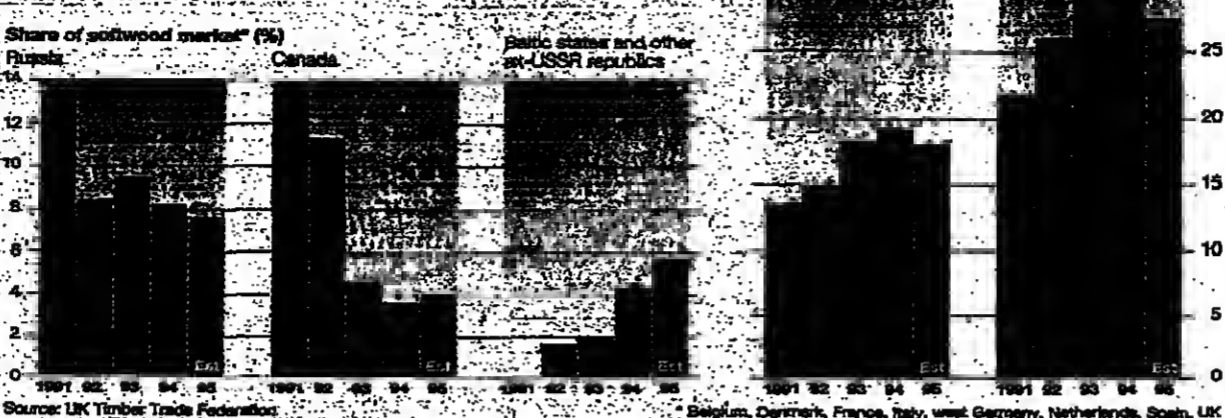
Russia loses ground in timber shake-out

Scandinavia has benefited from the market's realignment.

The collapse of the Soviet Union and the subsequent political and economic disruption in Russia have led to a big realignment of the European timber trade.

Russia's share of softwood exports to the main European markets has almost halved from nearly 14 per cent in 1991 to less than 9 per cent last year, according to figures produced by the Timber Trade Federation of the UK.

Timber exporters' sales to western Europe: a sharp shift in fortunes



The European market share of the Baltic states has risen from virtually zero in 1991 to approaching 6 per cent last year. The countries mainly supply lower grade timber for construction and pallet and case making. Latvia last

year accounted for almost 10 per cent of foreign timber sales in the UK, Europe's biggest softwood importer. Lithuania and Estonia together accounted for another 3 per cent, according to Meyer. International Europe's biggest timber merchant. Meyer began importing Russian timber into the UK in the 1920s. It remains the biggest overseas purchaser

of sawn wood in the country. Russian exports are mostly higher grade joinery timber used to make doors, windows, architraves, skirting boards and other products. Under the communist system the state agreed annual volumes, supplied the logs, then bartered or sold the sawn timber and arranged shipping, through a series of complex structures. The mills were concerned

where in a country which is trying to switch from a command to a capitalist economy while much of its infrastructure has fallen apart.

"They have no organised log supply, no money, poor transport and services, no experience of marketing and a banking and political system which is in some disarray. It is difficult to conduct business in this climate and it should be no surprise that some customers have turned to more secure markets," he says.

Russian exports to western Europe, meanwhile, have slumped from 3.1m cubic metres in 1991 to 1.9m cubic metres last year. Low wood prices have not helped Russian suppliers which lack the balance sheet strength of Scandinavian rivals to remain competitive when prices fall.

Domestic sales also have slumped. Russian softwood production is currently running at about 24m cubic metres a year compared with 67m cubic metres in 1988 and 72m cubic metres in 1991, according to Meyer.

Andrew Taylor

WORLD TRADE NEWS DIGEST

Burma hits back at European beer companies

Burma yesterday banned all imports of Heineken and Carlsberg beers in a retaliatory action against the two brewers which last month withdrew their investments in Burma. State-run radio said that the Ministry of Finance and Revenue issued an order banning the imports of beer and that they would be confiscated if they were found on sale in restaurants or stalls.

Heineken and Carlsberg pulled out of Burma following intense lobbying by human rights activists who protested against the country's human rights record.

Heineken withdrew its \$30m investment plan for a new brewery in Burma after boycott threats. Carlsberg also announced it was dropping plans to invest in a brewery in Burma.

Heineken had the largest share of Burma's beer market, with about 35-40 per cent of consumption. Foreign Staff

Seoul anxious on 'open skies'

South Korean government officials yesterday said it was unlikely that North Korea would allow overflights from South Korean airlines, despite its agreement with the International Air Transport Association (Iata) to open its skies to world airlines.

Iata, which represents 235 airlines accounting for some 95 per cent of all international scheduled flights, said the way was cleared last week for the opening North Korea's airspace in December.

Under the accord with Pyongyang's General Administration of Civil Aviation (Gaca), Iata will collect overflight fees to be used for upgrading air traffic control services.

Iata said its agreement with North Korea would save aviation companies operating in the region more than \$125m a year in fuel costs by reducing flying time. Analysts said that Pyongyang's move towards open skies was prompted by its desire to open its northeastern free trade zone of Rajin-Sonbong to foreigners. Foreign Staff

Australia, NZ in TV talks

The New Zealand and Australian television industries are reviewing the scope of access to the Australian networks following a federal court ruling that the Australian Broadcasting Authority's "local content" quotas should be changed to include New Zealand programming.

The issue has been a cause of friction for some time, and has featured in top-level ministerial talks. Australia and New Zealand have a free trade agreement - known as "Closer Economic Relations" - and New Zealand has argued that this should allow their programming to qualify as "local content" in the larger country.

ABA quota rules require that a minimum percentage of programming put out by commercial broadcasters between 6am and midnight be sourced from Australia, and that a given amount of first-release local drama is also screened. The court ruling said that the ABA standards were in conflict with the CER protocol, which states that provision of services includes "access to and use of domestic distribution systems". Nikki Tail, Sydney

Qatar-Japan loan accord

The Qatar Liquefied Gas Company (Qatargas) has signed a \$550m loan agreement with Export-Import Bank of Japan to finance the third gas train project at Ras Laffan, under construction by Japan's Chiyoda Corporation.

The loan will cover 70 per cent of the project's costs, with the remainder funded by Qatargas's shareholders. The 12-year loan includes a two-year grace period. The limited recourse financing agreement came 15 months after Qatargas secured \$2m worth of Japanese financing for the first two trains on its integrated gas project.

The first train on the Qatargas development is scheduled to begin operations in September, and will be followed in early 1997 by train two. The first liquefied natural gas (LNG) carrier is due to be loaded in December this year. Qatar's offshore North Field is the world's largest single reservoir of natural gas, with estimated reserves of 7,100bn cubic metres.

It has made Qatar the third top gas power in the world after Russia and Iran. Sean Evers, Cairo

EU embraces the cause of free trade

Brussels trade policy-makers have long faced accusations - which they have not always rebutted convincingly - that they were out to create a "Fortress Europe", closed to the rest of the world.

Now, as the leading edge of liberalisation, and on bilateral issues, such as a plan to lower transatlantic trade barriers. US reluctance to play its traditional role as champion of the multilateral trade system has encouraged the EU

Brussels advocates liberalisation with convert's passion, writes Guy de Jonquieres

and many Asian countries are taking a low-key approach, viewing the WTO as a stock-taking session. "We are on the leading edge of liberalisation," said one Commission trade policy official.

Meanwhile, Sir Leon has successfully resisted new EU trade barriers and is working discreetly to sheathe some of its more aggressive

perception in Brussels that the US has, at least temporarily, abandoned an active international trade policy role. EU officials openly accuse Washington of dragging its feet in the WTO and on bilateral issues, such as a plan to lower transatlantic trade barriers. US reluctance to play its traditional role as champion of the multilateral trade system has encouraged the EU

important element. This is the dawning realisation that Europe needs a strong and effective WTO because it has no attractive alternatives to open global trade. Although the EU has a web of bilateral trade links with other countries, they account for a tiny share of world trade. There are growing complaints in Brussels that European exporters have been put at a disadvantage by the North American Free Trade Agreement and fears that they will face discrimination from other emerging trade groupings, above all in Asia.

Hence the EU's growing determination to promote the WTO as the best safeguard of its own interests. True, many members still do not find concessions easy. France, for instance, balks at any public mention of further liberalisation of farm trade. Yet EU officials say Paris accepts privately that WTO negotiations on the issue are inevitable in the next few years.

They also say Europe's often protectionist car-makers seen resigned to the removal of EU quotas on Japanese marques in 1995, as planned. Nonetheless, there are plenty of obstacles which could throw the EU's drive for freer trade off track. Some observers think Sir Leon may be getting too far



Sir Leon: seeks new round of talks to lower trade barriers

ahead of EU governments and other WTO members in pressing for a heavyweight world trade agenda.

His initiatives have yet to be endorsed by the Council of Ministers and some - such as his call for WTO discussions on trade and labour rights - risk opening divisions in the EU and with important trade partners. Furthermore, there are suspicions that his proposals for a rapid and robust EU response to controversial US trade legislation could involve an attempt to expand the EU's powers at the expense of its members.

So far, only the UK has voiced such doubts openly. However, some EU legal

experts think they may be echoed by other countries, such as France, which are equally insistent on sovereign prerogatives. Such disagreements could complicate EU efforts to present a united front to the US.

Some also think Sir Leon's scathing attacks on US trade policy may have gone too far. Though they have helped rally support from EU governments, they have infuriated Washington. Most trade policy-makers in Brussels are now buoyed up by their new-found sense of purpose to dwell on such misgivings. It should become clearer in the autumn whether their confidence is well-founded.

US reluctance to play its role as champion of multilateral trade has encouraged Europe to fill vacuum

trade weapons, such as anti-dumping policy. This drive for more open markets is particularly remarkable, when weak growth and high unemployment make it tempting for Europe to turn inwards.

There seem several, closely related, reasons why it has not done so. One is Sir Leon's personal influence as a committed liberal and a dominant figure in an otherwise largely undisciplined Commission. His position there, and in the Council of Ministers, has been bolstered by the EU entry of Finland and Sweden, whose free-trade attitudes have helped to offset the protectionist inclinations of Mediterranean members. Another factor is the grow-

ing perception in Brussels that the US has, at least temporarily, abandoned an active international trade policy role. EU officials openly accuse Washington of dragging its feet in the WTO and on bilateral issues, such as a plan to lower transatlantic trade barriers. US reluctance to play its traditional role as champion of the multilateral trade system has encouraged the EU

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INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

Table with columns for countries (USA, Japan, Germany, France, Italy, UK) and rows for various economic indicators like Retail sales, Industrial production, Unemployment rate, etc., from 1985 to 1996.

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WIFA. Retail sales volume data from national government sources except Japan and Italy (sales volume from retail trade, excluding restaurants, hotels, and other services).

Bell Canada Appointment Notice



David W. Drinkwater

Bell Canada is pleased to announce the appointment of David W. Drinkwater as Group Vice-President - Law.

Prior to joining Bell Canada, Mr. Drinkwater was the Managing Partner of Osler Renault, based in the U.K., where he specialized in general corporate and business law. Previously, Mr. Drinkwater was a partner at Osler, Hoskin & Harcourt in Toronto.

Mr. Drinkwater has been an active speaker and writer on corporate and securities law matters. He has acted as the Secretary to the Toronto Stock Exchange Committee on Corporate Governance in Canada and is a prior chair of the Securities Advisory Committee to the Ontario Securities Commission.

Graduating from the London School of Economics in 1974, Mr. Drinkwater earned a master's degree in law. He also holds undergraduate degrees in law from Dalhousie University and in business from the University of Western Ontario.

Mr. Drinkwater is a member of the Canadian Bar Association, the Canada-UK Chamber of Commerce, the Law Society of Upper Canada, the American Bar Association, the International Bar Association, and the Law Society of England and Wales.



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NEWS: UK

Biggest drop for three and half years gives chancellor useful ammunition

Industrial output suffers big fall

By Robert Chote, Economics Editor

British industry suffered its biggest fall in output for three and a half years in June, giving the chancellor of the exchequer useful ammunition if he wishes to argue for another cut in UK interest rates.

Industrial production fell by 1.1 per cent in June, the Office for National Statistics said yesterday. It was the biggest monthly drop since November 1992 and included falls in factory output, oil and gas extraction and energy production.

The 0.3 per cent drop in factory output in June surprised statisticians who had assumed there would be no change when they drew up the estimate of economic growth in the second quarter, published last month.

Recent surveys had suggested factories might be stepping up production again. But manufacturing remains in a technical recession: with output stagnated in the second quarter following falls in the two preceding quarters.

"We have seen another delay in the second-half economic expansion," said Mr

Simon Briscoe, at Nikko Europe. "The 3 per cent growth in 1996 manufacturing output, forecast by the Treasury in the summer forecast, will not be achieved from a standing start."

The statistics office estimated for the seventh successive month that the underlying trend in factory output and the broader measure of industrial production were flat.

In manufacturing, output rose in the second quarter in the textiles, chemicals, engineering and food, drink and tobacco industries. But coke, oil refining, nuclear fuels,

metals and other manufacturing contracted.

Most City economists concluded the figures did not justify another cut in base rates from their current 5.75 per cent, especially as separate figures showed that cash circulating in the economy continues to grow.

The value of notes and coins in circulation grew by a seasonally adjusted 0.6 per cent in July, the Bank of England said, following a 0.9 per cent rise in June. The annual rate of increase has reached 7.1 per cent, the highest since October 1994.

The annual increase in the narrow money supply measure M0 - which also includes banks' balances at the Bank of England - fell slightly, from 7.4 to 7.1 per cent. "The continued buoyancy of narrow money in July suggests that consumer spending remains reasonably strong," said Mr Michael Saunders, of Salomon Brothers.

The Bank is expected to highlight the rapid growth of broad and narrow money supply in tomorrow's quarterly inflation report. Interest rates have been cut since the last report, but economic growth has also weakened.

Post Office loses monopoly as strikes go on

By Robert Taylor, Employment Editor

In an escalation of Britain's increasingly bitter postal dispute the government announced yesterday that the Post Office's monopoly of the letter delivery service was to be suspended from midnight last night for an initial one month period.

Mr Ian Lang, the trade and industry minister, said the decision of the Communication Workers' Union to call a further four 24-hour stoppages had left him with "no alternative". He added that if the dispute was not resolved within the next four weeks the monopoly would be suspended for a further three months.

refusing a ballot the union is denying the very people whose future is affected by the settlement to have a say on it," he said.

He said the proposed settlement contained a guarantee of full-time employment and job security until at least 2000, a one and a half hour cut in the basic working week and moves to five day a week working, six weeks' holiday, improved training and pay rises of 5 to 37 per cent, with a new minimum wage of £5.28 (£6.23) an hour. The union executive, however, remains opposed to the principle of team-working.

Mr Roberts said the suspension of the monopoly was a "sad day" for the company. He said customers were already choosing alternative services, Royal Mail's reputation was being dented and postal workers were losing an average of £40 for every day of striking.



First step: Gavin Casey, London Stock Exchange chief executive, yesterday on the first day in his new job. Mr Casey replaced Michael Lawrence, who left the exchange in January

Lloyd's Names win right to challenge recovery plan

By Ralph Atkins, Insurance Correspondent

Rebel Lloyd's of London Names yesterday jumped the first hurdle in challenging the legality of the insurance market's recovery plan by winning the right to a judicial review next week.

The 3,000-strong Paying Names' Action Group, representing Names - individuals whose assets have traditionally supported the market - who have met their Lloyd's commitments, hailed the High Court ruling. It said it was "a historic moment which vindicates the determination of our members".

A hearing will start on Monday and is expected to last three days. Judgment is expected well ahead of the August 29 deadline by which Names must decide whether to accept the market's recovery plan, which includes a £3.2bn out-of-court settlement offer to all Names.

Lloyd's - which rejects the action group's case - did not object to the application being heard, saying that it was "essential" that its arguments in favour of the recovery plan were transparent.

The action group argues that Lloyd's is acting beyond its statutory powers and that the recovery plan is unfair. The group says Names who paid Lloyd's debts, often by borrowing heavily, are being disadvantaged compared to those who did not, and would benefit from having debts written off.

Other rebel Lloyd's Names are considering alternative moves to block the recovery plan. One tactic being mooted is a claim that Lloyd's is breaching the European convention on human rights by insisting court awards won by Names for losses should be used to pay debts at the market.

Other rebel Lloyd's Names are considering alternative moves to block the recovery plan. One tactic being mooted is a claim that Lloyd's is breaching the European convention on human rights by insisting court awards won by Names for losses should be used to pay debts at the market.

Securities firms to be judged on 'risk'

By Nicholas Denton

The UK government was yesterday warned that a three-year limit on business backdating claims for wrongly paid value added tax was probably in breach of European law and Britain's 1988 Bill of Rights, and could lead some taxpayers to break the rules.

In an outspoken letter to Mr Kenneth Clarke, the UK Chancellor, the Institute of Chartered Accountants of Scotland said it had been "combed" with complaints about the time

Tax claim time limit comes under fire

By Jim Kelly, Accountancy Correspondent

Mr Derek Allen, director of taxation at the institute, said: "Unless it is reconsidered and withdrawn there must be concern that it could lead to reduced compliance and even rebellion."

The Institute of Chartered Accountants in England and Wales said the government's policy was "retrospective and inequitable".

The government action was a response to the growing problem of VAT refund claims from big companies, which could lead to millions of pounds of wrongly collected VAT being returned to taxpayers. Before July 18 companies winning VAT cases against the government were in theory entitled to refunds backdated to 1973, when VAT was introduced.

Details of the new three-year time bar will be published soon for inclusion in Britain's 1997 finance bill.

The Treasury said: "Clearly we have to balance the needs of business against those of the general taxpayer. This will go before parliament and it will have a chance to debate it."

Mr Allen pointed out that in pursuing enquiries the UK authorities can examine traders' tax affairs dating back six years, or 20 years in the case of serious fraud, yet the taxpayer was to be limited to three.

He said some taxpayers had spent a lot of money preparing claims going back many years. As a result, he added, some might be tempted to regain the lost VAT by bending the rules, although the institute would not condone such action. The institute wants the new time bar to be withdrawn and consultation to follow.

Mr Allen said the proposals possibly breached the government's Taxpayers' Charter, which says taxpayers can expect "to pay only what is due under the law". He said parliament had not sanctioned the reform - as it was required to do under the Bill of Rights - and that it might breach European Union tax directives.

The English and Welsh institute said refunds represented tax the exchequer was never entitled to, and while a time limit was acceptable for reasons of efficiency, it should be six years to match limitation law generally and Customs' own powers.

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Directors' incentive schemes at odds with investors

Although the L-Tip is a popular bonus, shareholders complain it can be too complex and too generous

Confusion reigns among companies and investors grappling with the new fad in executive compensation - the long-term incentive plan, otherwise known as L-Tip.

With 57 per cent of FT-SE 100 companies now operating such bonus plans for executives, and 86 per cent of companies in the All-Share index, L-Tips are fast becoming one of the most important elements of top directors' pay.

Following a recommendation in the 1996 Greenbury report on executive pay that companies consider introducing L-Tips because they align the interests of directors and shareholders, there has been a marked acceleration in the rate at which companies have added them to their directors' incentive packages.

L-Tips typically involve executives being awarded free shares, paid for by their company, which they are able to profit from three years later only if targets - such as earnings per share performance measured against a comparator group of companies - are met.

Despite the apparent popularity of the schemes, institutional investors, who are required to approve the introduction of L-Tips at companies, have been raising serious concerns.

They say that the bonus schemes are becoming too complex and overly generous. Several fund managers, such as Norwich Union and Standard Life, are now routinely abstaining or voting against L-Tips at companies' annual meetings.

The controversy over L-Tips has been heightened recently by privatised water and electricity companies also seeking shareholder approval to add L-Tips to their directors' pay packages. Before the recent annual meetings of privatised companies, stakeholders such as staff and customers, and Pirc, the corporate governance consultancy, expressed dismay at the potential awards available to directors.

Yet the concern over L-Tips is not just one way. Companies complain that while shareholders know what they do not like in an L-Tip, when asked what they want, they either do not know or cannot agree.

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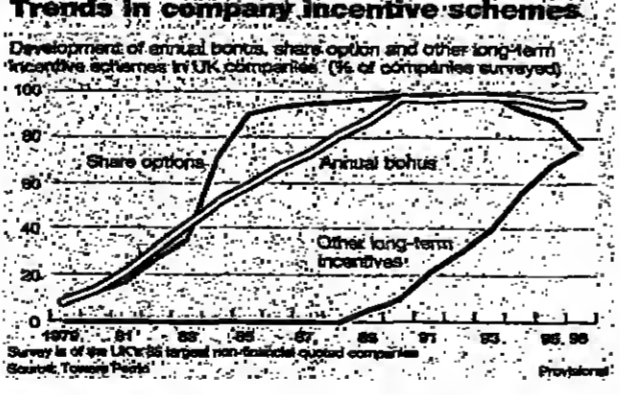
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For example, United Utilities, the Warrington-based multi-utility which recently lost a shareholder revolt against its L-Tip, complained that its institutional shareholders had very different views about how they wanted the scheme amended. As a result it was impossible to satisfy them all.

Companies also say that institutional investors have an inconsistent approach to voting on L-Tips. While the Association of British Insurers was willing publicly to criticise United's scheme for being "over-generous and

over-complex", it did not comment in the same way on HSBC's L-Tip which could lead to executives being granted shares worth four times their salaries.

The Greenbury committee's report stated that L-Tips should be "weighed against share option schemes" but research by New Bridge Street, the pay consultancy, shows that only 15 per cent of FT-SE 100 companies no longer operate share option schemes in any form. Of the 84 FT-SE 100 companies with option schemes, only 13 per cent do not allow directors to con-

time to profit from options as well as L-Tip shares.

Institutional shareholders and companies both say they want the current state of confusion surrounding L-Tips to be resolved. Some argue that more detailed best practice guidelines need to be drawn up - probably by the ABI and the National Association of Pension Funds - covering the main areas of controversy.

Performance measure. New Bridge Street research shows that the most common measure used in L-Tips is total shareholder return (TSR) - share price and dividend performance combined. However, a few institutional investors, such as the Prudential and Standard Life, insist that TSR performance targets must be "underpinned" by a requirement that there has been a sustained improvement in underlying financial performance. Another common requirement is for earnings per share to have to exceed inflation by at least 2 per cent a year, but Manifest, the proxy voting agency, doubts whether this represents a challenging target for many companies.

Despite these areas of concern, shareholders and companies that want more detailed guidelines appear unlikely to be satisfied.

New Bridge Street argues that it is "virtually impossible to draw up hard and fast rules, and it would be wrong to try and do so". Instead, remuneration committees must take responsibility to ensure that plans are properly structured and not out of line with other companies.

Another possible solution to the current uncertainty comes from the US. Professor Charles Elson, a leading US corporate governance expert, argues that directors' bonus schemes should be radically simplified. He says that executives should be paid partly in ordinary shares, or even be forced to buy shares themselves.

"The problem when you play games with numbers is that you can play games with performance," says Professor Elson. "Let's go back to incentivising and rewarding executives with stock and not make a simple idea complicated."

William Lewis

UK NEWS DIGEST

March diverted in N Ireland

The Royal Ulster Constabulary, the Northern Ireland police force, yesterday re-routed Saturday's Apprentice Boys parade by loyalists in Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Apprentice Boys march in Londonderry on the same day.

The move came as Mr John Hume, the local MP for the moderate, nationalist Social Democratic and Labour party, met with the Londonderry Apprentice Boys and representatives of the nationalist Bogside residents' group in a final attempt to avoid the ugly clashes which broke out last month when police forced a protestant Orangemen's march through a Catholic estate in Portadown.

The secretary of the Apprentice Boys voiced optimism that an agreement could be found. Mr David Nicholl, of Ulster Community Action Network, a voluntary group which has helped mediate the dispute predicted "a compromise is in the offing". The police decision to re-route the Ormeau Road march was described as "deplorable" by loyalists.

On Saturday, the Belfast marchers together with other Apprentice Boys will be bussed afterwards to Londonderry, where there are expected to be around 10,000 supporters to mark the siege of Protestants in the city by the Catholic King James II in the late seventeenth century.

John Murray Brown, Dublin

Oil Technology

Platform to be refloated

Phillips Petroleum says it intends to refloat its 110,000 tonne Maureen platform in the North Sea as part of a plan to sell the structure for reuse elsewhere in the world. If successful, it would be the world's first refloating of a gravity-based platform.

Executives from Phillips, a US-based oil company, said that the \$50m (€65m) steel platform, which was lowered to the sea bed 155 miles north-east of Aberdeen in 1983, was designed to be refloated in one piece.

Mr Geoff Tilling of Phillips said raising Maureen, which would cost about £30m, would be "an insurable event". Phillips says the ideal solution would be to move to another site in the North Sea or elsewhere as an oil production and storage facility but it could also be modified for other uses.

Robert Corrine, London

North Sea

Capital spending 'to fall sharply'

Capital spending on new North Sea oil and gas projects is expected to fall sharply after the turn of the decade, according to findings published by Wood Mackenzie, the Edinburgh-based energy consultants, in its annual analysis of UK offshore trends.

A forecast fall in the number of probable projects and a decline in size of those that do emerge could cause capital spending to fall below £1bn (\$1.56bn) in real terms in the early years of the next decade, it says. Total offshore capital spending last year was more than £5bn, and is expected to stay above £3.5bn over the next few years as a large number of new fields move towards production.

Wood Mackenzie said 50 new fields could receive government development approval in the short to medium term, with total development costs estimated at around £7.2bn. That is a third less than the £10.5bn which it estimated would be spent on the 67 probable fields identified last year.

Robert Corrine, London

Welfare

Benefit claims reduction trebled

More than 300,000 unemployed people have had their benefit cut during the past 12 months under stricter government enforcement of conditions for receiving state financial support.

This is the main finding of a study on the impact of performance targets introduced in the Employment Service in April 1994. It was carried out by the independent Unemployment Unit and published yesterday. The figures reflect a trebling in two years in the number of unemployed who are deprived of some benefit.

The unit says the dramatic increase in the number of jobless facing benefit sanctions results from the performance targets set for Employment Service staff. The report adds that "over-zealous managers have dramatically overshot" the annual figures set by the government to ensure they secure performance-related pay increases.

Robert Taylor, London

Telecommunications

Crackdown on prostitutes' adverts

British Telecommunications is to alter the terms and conditions for residential customers renting more than 20 million telephone lines in an attempt to crack down on prostitutes' advertisements in telephone boxes. About 150,000 cards are removed from kiosks in central London every week. The initiative, also supported by other telephone service operators, will result in BT being able to block the in-coming telephone calls of prostitutes who persistently place cards in payphones.

Lisa Wood, London

سكرا من الالاه

صباحنا من الاجل

March divert in N Ireland
investors
and too generous
William Lewis

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 6 1996

LEGAL DEFINITIONS
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LAWYERS FOR BUSINESS

IN BRIEF
Electrolux falls as sales soften

Electrolux of Sweden, the world's largest manufacturer of household appliances, warned that demand for its products in Europe had fallen for the fifth quarter in succession...

Price pressures hit Nycomed's first half
Shares in Nycomed, the Norwegian pharmaceuticals group...

Hypo-Bank advances 22% to DM556m
Bayerische Hypothek und Wechselbank reported a 22 per cent rise in first-half operating profits...

Great Eagle revives spin-off plan
Great Eagle Holdings, the Hong Kong property and hotels company...

GE Capital buys life group for \$1.8bn
GE Capital, the financial services arm of General Electric...

Settlement clears way for Inco deal
Inco, the Canadian nickel producer, is poised to proceed with its \$4.5bn takeover...

Eurotunnel claims market share gains
Eurotunnel, the Anglo-French operator of the Channel tunnel...

Mexican gas unit to reopen after blast
Petróleos Mexicanos, the Mexican state oil monopoly...

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FRANKFURT (DM)
Basis 252.27
DAX-Wert 107 + 5
Eurostoxx 375 + 9
Kanzert 547.5 + 11
MAN Pct 284.5 + 4.5
Strasbourg Lab 298 + 7
Varex 700 - 8
NEW YORK (\$)
AME Fed 44.1 + 2.6
First Col 34.4 + 4.7
ES Int 33.4 + 3.8
Rus Half Int 31.4 + 2.4
Pallas 23.4 - 3.4
LONDON (£)
Aberdeen Stock 70 + 22
Basis 103
Basis Int 178 + 23
Pallas 196 + 48
Pallas Int 103
Self Scoping 25 + 10
Zacharias 199 - 41
SAS-Thomson 180.2 + 4.2
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UBS lifts income by one third

Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SF1.1bn (\$223m) with a surge in profit from its trading and investment banking operations...

Net income from trading rose by more than 50 per cent to SF1.8bn, equal to three quarters of the figure for all of last year. Most of the increase came from equity and derivative trading which made profit of SF552m.

Although the strength of the recovery has led some analysts to upgrade forecasts for the full year, UBS bearer shares fell SF9 to SF1.184 yesterday, in spite of a 0.6 per cent rise in the Swiss stock market.

The real estate market has now spread to its commercial customers who are increasingly facing difficulties on an unexpected scale. The bank said it expected provisions to remain high in the second half.

The other strong feature was the 34 per cent rise in fee and commission income, to SF1.1bn. The figures were helped by SF128m of income arising primarily from the sale of 300,000 shares of Société Générale de Surveillance, a Swiss insurance group...

Pulp and paper groups, savaged by price volatility, are having a change of heart
Sector hedges its bets to gain stability

Pulp and paper executives, battered by dizzying price swings over the past three years, have launched an unprecedented search for ways to soften the boom-or-bust cycles that have long plagued their business.

The ideas swirling through the industry are a marked break from the past in a sector famed for conservative attitudes. Options, futures and other hedging instruments have suddenly become buzzwords.

buyers to hedge future commitments, thereby offering a measure of price certainty and stability. The Finnish Options Exchange in Helsinki plans to launch an international options and futures market for NBSK pulp, a benchmark product...

He predicts it could challenge the notion of integration in the forestry sector which has seen pulp companies acquire paper companies to insulate themselves against volatile prices.

before paper or finished product demand had increased. When paper mills found out that the pulp companies were very serious about getting a price increase, they finally began to order more pulp, even though they didn't need it.



Mr Anders Lindeberg, the exchange's president, says the new market "could mean a revolution for the industry". Moves are afoot in Europe and North America to set up derivatives markets that would enable producers and buyers to hedge future commitments...

that consumer demand for most grades of paper has remained relatively stable. European consumption of woodfree uncoated paper is estimated to have risen by 5.8 per cent in 1994 and 1995. Production, on the other hand, soared 20 per cent in 1994 and contracted by 1 per cent last year.

Such doubts however, may be outweighed by the desire for a more stable, predictable business environment. Bernard Simon and Greg McIvor

HSBC profits leap in first half

City analysts scrambled yesterday to upgrade their forecasts for HSBC after the international banking group lifted first-half profits by more than a third to \$2.32bn (\$3.5bn) exceeding the most optimistic expectations.

Widening interest margins in Hong Kong lifted HSBC's main operating units, HongkongBank and its 51 per cent subsidiary Hang Seng Bank. The HongkongBank group reported attributable profit of HK\$1.55bn (\$250m) in the first six months of the year, up 25 per cent from the same period a year earlier.

The bank's UK shares jumped 4.3 per cent to £11.64p, helped further by the announcement of a 62 per cent increase in the interim dividend to 15p per share.

The group is expected to pay a dividend of 40p per share for the year, a 25 per cent increase from 1995. Sir William Purves, the group's chairman, said he planned to "put what is due to them in our shareholders' pockets" a month earlier than usual by announcing a second interim dividend at the end of the year in lieu of a final dividend, which would need approval from the shareholders meeting.

The steady flow of retained profits left HSBC with total capital of £23.4bn at the end of June and a Tier 1 capital adequacy ratio of 9.8 per cent - comfortably in excess both of the regulatory minimum of 4 per cent and the norm for well-capitalised banks of 6.5 per cent. But Sir William said the group had always believed in maintaining high liquidity and a strong capital base, and he felt under no pressure to reduce excess capital either by acquisitions or by buying in its own shares as other banks had done.

US managed health groups combine in \$2.1bn deal

The US's managed healthcare industry witnessed another big takeover yesterday, this time bringing together the Californian companies PacifiCare Health Systems and FHP International to create the country's fifth largest organisation of its kind.

Mr Frank Barlow, Pearson managing director, said the disposal reflected Pearson's strategy of concentrating on international markets for its information, education and entertainment products.

The two companies, which are roughly equal in size, would have had combined revenues of \$8.6bn last year, and a network that extends across 15 states. The enlarged group will be concentrated largely in Western states, though it also has an operation in Florida, where demand from retired people has created a fast-growing market for HMOs.

FHP has also been weighed down recently by a claim from the US Justice Department that it overcharged Federal employees over a five-year period, prompting the company this year to set aside \$45m to settle any claims.

Details, Page 16

Pearson sells titles for £305m

Pearson, the UK information, publishing and entertainment group which owns the Financial Times, yesterday announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for £305m (\$475.8m).

Mr Frank Barlow, Pearson managing director, said the disposal reflected Pearson's strategy of concentrating on international markets for its information, education and entertainment products.

unveiling reduced pre-tax profits of £30.2m, against £50.5m a year earlier, in spite of sales of £889.8m, up from £780.9m, for the six months to June 30.

Pearson said most of its businesses were making good progress - particularly Penguin. Yesterday Mr Michael Lynton, 35-year-old president of Walt Disney Studio's Hollywood Pictures, was named as Penguin's new chairman. Pearson shares rose 18p to 680p. Details, Page 17.

HAMPTONS GROUP LIMITED
Acquisition of Hamptons and The London Residential Agency (formerly Cluttons London Residential Agency)
£10,500,000
Led, structured and arranged by NatWest Ventures
Equity provided by NatWest Ventures
NATWEST VENTURES

COMPANIES AND FINANCE: EUROPE

Electrolux sees signs of upturn in Europe

By Greg McIvor in Stockholm

Electrolux of Sweden, the world's largest manufacturer of household appliances, said yesterday demand for its products in Europe fell for the fifth quarter in succession. However, he said there were signs that the slump was bottoming out.

Mr Leif Johansson, chief executive, said preliminary sales figures indicated a slight improvement in demand for large white goods in Europe in the second quarter, compared with the same period last year.

"We have possibly reached the bottom [in Europe]... we are very, very cautiously optimistic when it comes to developments in 1997," he said. However, he stressed any upturn was unlikely to be rapid, and that demand in Europe was still weak across Electrolux's

other product divisions. The group reported a 14 per cent fall in first-half pre-tax profits, from SKr2.1bn to SKr1.8bn (\$273.9m). This was slightly better than market expectations and helped lift the company's B shares SKr12 to SKr14.7.

Electrolux said a robust performance in the US helped offset weak sales in Europe, while demand had risen strongly in Latin America. Turnover outside the US and European markets doubled in the first six months, the group said.

Group sales slipped from SKr60.6bn to SKr57.7bn, but the fall was only 1 per cent when fully adjusted for exchange rate effects, acquisitions and divestments. Volumes suffered from the stronger krona and Italian lira.

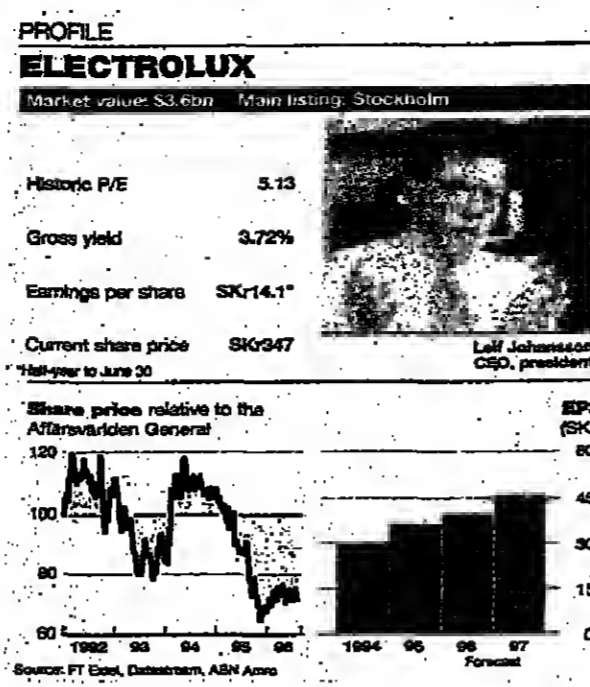
Mr Johansson said a cost-reduction programme initiated in the second quarter

would show benefits during the second half.

Operating profits in household appliances, the biggest unit, fell from SKr1.3bn to SKr1.2bn on sales of SKr36.9bn against SKr38.1bn. However, white goods sales to the US were higher because of an improved second quarter at Frigidaire, the US subsidiary.

The main disappointment was industrial products, where operating profits dived from SKr460m to SKr200m on sales of SKr5.5bn against SKr7.3bn. The decline was blamed on falling sales at Granges, the aluminium subsidiary, amid deteriorating market conditions and lower prices.

In commercial appliances, lower sales in Italy, France and Scandinavia triggered a sharp drop in income for food service equipment, although this stabilised in the second quarter.



Czech bank held back by growth in costs

By Vincent Boland in Prague

Komerční Banka, the Czech Republic's largest commercial bank, yesterday reported a decline in pre-tax profits in the six months to June 30, blaming higher administrative costs. Net profit, however, was unchanged on the same period last year.

Interim pre-tax profits fell to K23.3bn (\$124.5m) from K24.5bn in the same period in 1995. The bank's net profit remained steady at K23.0bn.

Mr Kamil Ziegler, managing director, said administrative costs had risen by K11bn in the six months, eating into profits at the pre-tax level. The rise had also confirmed analysts' fears that the cost base at Czech banks is escalating after expansion in employee numbers and spending on technology over the past four years.

The bank's loan portfolio grew nearly 11 per cent to K240.6bn in the period, while provisions for bad and doubtful debts fell slightly to K229.6bn from K230.4bn. Komerční is the leading bank in the Czech industry with about one-third of the market.

Primary deposits rose 9.3 per cent to K255.1bn, compared with a fall of 1.5 per cent in the same period last year. Total assets stood at K423.7bn.

Net interest income rose 5 per cent to K26.9bn on a net interest margin at June 30 of 3.93 per cent. Income from fees and commissions, an area Komerční has targeted as a source of future revenue growth, reached K24.1bn.

The results were broadly in line with analysts' expectations, and Komerční appears on target to record full-year net profit of K25bn. Its share price fell K220 in early trading yesterday before recovering to close K112 higher as the Prague stock exchange reached its highest level so far this year.

Europe Online seeks rescuer

Buyers are being sought for Europe Online, the fledgling internet service provider, after it was declared bankrupt by the Luxembourg commercial court less than a month after its main shareholder withdrew funding.

The Luxembourg-based company went into court administration to protect it from creditors 33 per cent, Burda, the German publisher which controls 33 per cent, withdrew financing. The move was to give Europe Online scope to negotiate with new potential backers. Net profit, however, was unchanged on the same period last year.

Europe Online, in which Pearson, publisher of the Financial Times, has a small stake, was founded in 1994 with the aim of providing a European-language alternative to US services such as CompuServe and America Online. But after delays and shareholder disagreements - including the withdrawal of Matra Hachette of France - it began operating last December.

CompuServe and ITT are thought to have made offers to invest in the company, but these were not fully acceptable to Europe Online's court administrators. Other investors in the company include two Luxembourg state-owned banks, and AT&T and Melcher Communications, the US telecoms group.

Neil Buckley, Brussels

Hypo-Bank disappoints with 22% rise

By Andrew Fisher in Frankfurt

Bayerische Hypotheken- und Wechsel-Bank yesterday reported a 22 per cent rise in first-half operating profits, to DM556m (\$378.2m), despite an increase in risk provisions and a decline in own-account trading income.

The figures disappointed some analysts who had been expecting an improvement to well over DM600m. Profits on lending and on commission-based business showed

healthy increases, reflecting improved mortgage business, robust securities markets, and restraint in cost growth.

But provisions were 14 per cent higher at DM659m. The bank said this did not reflect the need to set aside more money for lending risks, since loan-loss provisions had been reduced slightly. Rather, they remained high because of economic uncertainty and the impact of the domestic recession - now gradually ending - on indus-

try, retail business and the property market.

The bank said the rise in risk provisions was the result of lower profits from the securities portfolio it holds for liquidity purposes. It did not separate these out, however. Analysts said the difference with other banks, which have reported an improved securities result, came from when such profits were booked rather than any trading variations.

Hypo-Bank's interest income was 10.5 per cent

higher at DM2.25bn; mortgage business, helped by rising demand for housing finance, was 18.5 per cent higher, and normal lending business rose nearly 5 per cent. Commission income showed a 9 per cent improvement to DM448m.

Unlike its main domestic rivals, the bank reported lower financial trading income, with a 35 per cent fall to DM51m. However, it said the trading result was affected by a one-off DM27m gain in the same period last

year from the sale of shares in PWA, the German packaging company.

Hypo-Bank said costs rose 1.9 per cent to DM1.62bn in the first six months. Its goal is to keep growth in costs to 1.7 per cent over the whole year, with no rise in personnel expenses. Other German banks are also striving to lower their rates of cost increase, despite heavy spending on technology, investment banking and the restructuring of retail operations.

Pricing pressures hit Nycomed's first half

By Greg McIvor

Shares in Nycomed, the Norwegian pharmaceuticals group, tumbled 9 per cent yesterday after it reported a 26 per cent fall in half-year profits.

The group had warned in June that earnings would be well below last year's level, but profits in the first six months were still about 10 per cent lower than market forecasts. Pre-tax profits slid to NKr976m (\$106.3m) from

NKr915m, on sales of NKr3.99bn against NKr4.26bn, following a deterioration in the second quarter.

Investors expressed their disappointment by off-loading Nycomed stock. The group's most-traded A share fell NKr7 to NKr79.

Nycomed blamed the decline on fierce price competition in the US market for X-ray contrast agents, its biggest product range. It said rival suppliers were

offering discounts of up to 60 per cent for new contracts.

However, the group said it had held its US market share in the battle with rivals, which include Bracco and Mallinckrodt of the US, and Schering of Germany. It lifted market share in Europe and Asia, but again revenues were hit by pricing pressures.

Mr Eric Cameron, senior vice-president, said Nycomed would implement a cost-cutting drive across its

operations to raise profitability.

Mr Peter Smith, pharmaceutical analyst at HSBC James Capel in London, suggested diagnostic imaging prices would continue to slip during the rest of the year and into 1997. "There is very little they can do unless the other players in the US decide to be less aggressive on price. The basic problem is that everyone has very similar products which have little to differentiate them."

he said. Operating profits in the diagnostic imaging division, excluding research and development costs, were down from NKr563m in the first quarter to NKr458m in the second. The other main division, therapeutics, posted a rise in operating profits, from NKr114m in the first term to NKr138m.

Analysts said the company was suffering from a lack of operational diversity and would benefit from a partner.

GENERAL MEETINGS OF BONDHOLDERS

Notice of Meeting

Holders of the bonds listed below, issued by Crédit local de France,

Financial Agent
Crédit Lyonnais Luxembourg

Financial Agent Seguel

Financial Agent BNP Luxembourg

Financial Agent MGT, London

Financial Agent The First National Bank of Chicago, London

Financial Agent Kredifbank S.A. Luxembourggoese

Financial Agent The Chase Manhattan Bank, N.A.

Financial Agent Bankers Trust Company, London

are invited to attend the General Meetings to be held on Wednesday August 14, 1996 at Crédit Local de France, 7 - 11 quai André Chénier, 75015 Paris, France, at 2:00 p.m. In accordance with article 308, of the French law of July 24, 1966, the agenda of the meeting will be as follows:

- Board of Directors' report on Crédit Local de France's project to transfer all of its assets and liabilities to its subsidiary Local Finance.
- Approval of the transaction.
- Powers.

Holders of registered bonds must be listed in the Company's registers at least five days before the date of the General Meeting in order to attend or be represented at the Meeting.

Holders of bearer bonds must obtain a certificate attesting that their securities are held in a blocked account from the bank, stock broker or institution managing their account, at least five days before the date of the General Meeting.

Proxy forms will be sent to bondholders upon request from the Financial Agent in charge of each bond issue.

In the very likely event that quorum requirements are not met, the General Meeting will be reconvened on Thursday August 29, 1996 in the same place and at the same time as listed above.

The Board of Directors

Publication Agent
CREDIT LYONNAIS LUXEMBOURG S.A.

Ireland
U.S. \$100,000,000
Private Placement Issue
Floating Rate Notes 1997/2000
(Coupon No. 23)

Pursuant to Note conditions, notice is hereby given that for the interest period 6th August, 1996 to 6th February, 1997 (184 days), an interest rate of 5% per annum will apply.

Amount per coupon (No. 23) - U.S. \$30,347.22
Payable on the 6th February, 1997

UTCB
The Long-Term Credit Bank of Japan, Limited
London Branch
Agent Bank

SGA SOCIÉTÉ GÉNÉRALE ACCEPTANCE N.Y. FRF 1,000,000,000 REVERSE FLOATING RATE NOTES DUE FEBRUARY 2, 2004
ISIN CODE: XS0047009963

For the period August 02, 1996 to November 04, 1996 the new rate has been fixed at 7.946875 % P.A.

Next payment date: November 04, 1996
Coupon rate: 8
Amount: FRF 2,075,000 for the denomination of FRF 100,000
FRF 20,750.17 for the denomination of FRF 1,000,000

THE PRINCIPAL PAYING AGENT SOCIÉTÉ GÉNÉRALE & TRUST LUXEMBOURG

Kingdom of Sweden
ITL300,000,000
variable rate notes due 2004

Notice is hereby given that for the interest period 2 August 1996 to 3 February 1997 the notes will carry an interest rate of 8.38% per annum. Interest payable on 3 February 1997 will amount to ITL205,500 per ITL1,000,000 note and ITL2,055,000 per ITL10,000,000 note.

Agents: Morgan Guaranty Trust Company JPMorgan

SAM FOOTITT
Formerly a Director of Shell (UK) Limited, has joined the Board of **BILLITON METALS LIMITED** as a Non-Executive Director.

West Rand Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Registration No. 0141578/05

The company's interim report has been issued today and copies are available from the United Kingdom Secretaries: **Widirect Corporate Services Limited**, 19 Charlotte Street, London, EC2N 8QP.
5 August 1996

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FIDELITY FUNDS
Société d'Investissement à Capital Variable
Registered Office: L-1021 Luxembourg, B.P. 2174
Kansallis House - Place de l'Étoile
R.C.S. Luxembourg B. 34036

NOTIFICATION TO THE SHAREHOLDERS

Shareholders are hereby informed that several amendments have been brought to the content of the Prospectus of the SICAV:

The amendments are the following and shall also only be effective on September 6, 1996, one month after the date of the sending of the present notice:

- Amendment of the name of the Sub-Fund "European Fund" into "European Growth Fund".
- Precision of the investment objective of the European Balanced Fund so that the three part investment objective of Fidelity Funds European Balanced Fund be as follows:
 - to conserve investors' initial capital over the long term
 - to pay current income
 - to achieve long term growth of both capital and income.
- Form of Shares - Bearer Shares

Bearer Shares in definitive form shall no longer be available to investors. Shares to be issued in Funds created or offered after 5 September 1996 as well as new Shares to be issued in existing funds shall no longer be available in definitive bearer form.

Such amendments will be described in detail in a revised Prospectus dated September 1996.

Shareholders are furthermore informed that they have the right, until September 6, 1996, to ask for the redemption of their shares, without paying any fee, if they do not approve such amendments.

Luxembourg, as of May 14, 1996
FOR THE BOARD OF DIRECTORS

Fidelity Investments

Inkel Corporation
(Incorporated in the Republic of Korea with limited liability)
To the Holders of the Company's
U.S. \$20,000,000
¾ per cent. Convertible Bonds 2003
(the Bonds)

Notice of an Extraordinary Resolution Duty Passed

Notice is hereby given that, at a Meeting of Bondholders held on 28th July, 1996 at the offices of Chase Manhattan Trustee Limited (the Trustee) at Woolgate House, Coleman Street, London EC2P 2HD the following Extraordinary Resolution (as defined in the Trust Deed dated 20th June, 1994 between the Company and the Trustee) was approved by the Bondholders:

"THAT if resolution 1. above is not approved by the Bondholders" and the resolution of the Company's shareholders to approve the Merger is passed, the Trustee be and is hereby directed to give notice to the Company that the Bonds are immediately due and repayable pursuant to Condition 5 of the Bonds and that the Trustee be authorised to take such other steps, including the taking of proceedings against the Company, as the Trustee considers necessary or desirable in connection with the foregoing or otherwise to ensure prompt repayment of the Bonds, all subject only to the Trustee being indemnified to its satisfaction."

*Resolution 1. was not approved by the Bondholders.

THE PRINCIPAL PAYING AGENT
The Chase Manhattan Bank
Woolgate House,
Coleman Street,
London EC2P 2HD

PAYING AGENT
Chase Manhattan Bank
Luxembourg S.A.
5 rue Pousille,
L-2336 Luxembourg-Grund

By order of the Trustee 6th August, 1996

سبيلنا من الاجل

COMPANIES AND FINANCE: ASIA-PACIFIC

Hang Seng advances 34% in first half

By Louise Lucas in Hong Kong

Hang Seng Bank, the listed subsidiary of HSBC Holdings and Hong Kong's second-biggest quoted bank yesterday trumped market forecasts by reporting a 34.4 per cent rise in interim net profits, from HK\$3.24bn in the first half of 1995 to HK\$4.36bn (US\$562m) in the same period this year.

Advances to customers, net of provisions, increased 17.8 per cent year on year, to HK\$146.1bn, fuelled mainly by corporate lending and residential mortgages.



Hang Seng Bank's provisions for non-performing trade-related exposures.

Great Eagle to renew HK\$3bn spin-off plan

By Louise Lucas

Great Eagle Holdings, the Hong Kong property and hotels company, yesterday said it was renewing plans for a HK\$3bn (US\$387m) spin-off of its office and commercial properties projects.

company is going to specialise in office and retail investments. That market has bottomed out and is on the rise again, which is why we have chosen this time to raise some capital.

attached to offices, which takes in the ground floor at the company's key money spinner Citibank Plaza.

HDFC approves 20% more loans

By Tony Tassell

Loans approved by India's Housing Development Finance Corp, the country's largest provider of housing finance, totalled Rp\$5.2bn (3230m) in the period from April to July, an increase of 20 per cent on the Rp\$7.13bn

achieved in the same period last year.

with a coupon rate of 12.5 to 14 per cent. The corporation, which runs a retail banking joint venture with NatWest Markets, ruled out any equity dilution this year.

per cent to Rp\$29.45.

Modiluft in collaboration talks

By Tony Tassell

Modiluft, the Indian domestic airline, is holding talks with several international airlines over a possible alliance or joint venture.

been in talks aimed at building closer marketing and management ties with the Indian group.

ation agreement with Modiluft earlier this year following a dispute over payment for three Boeing aircraft leased to Modiluft.

The company blamed poor productivity for the closure, saying workers had failed to meet agreed targets.

Ital-Thai finds a novel way to achieve expansion

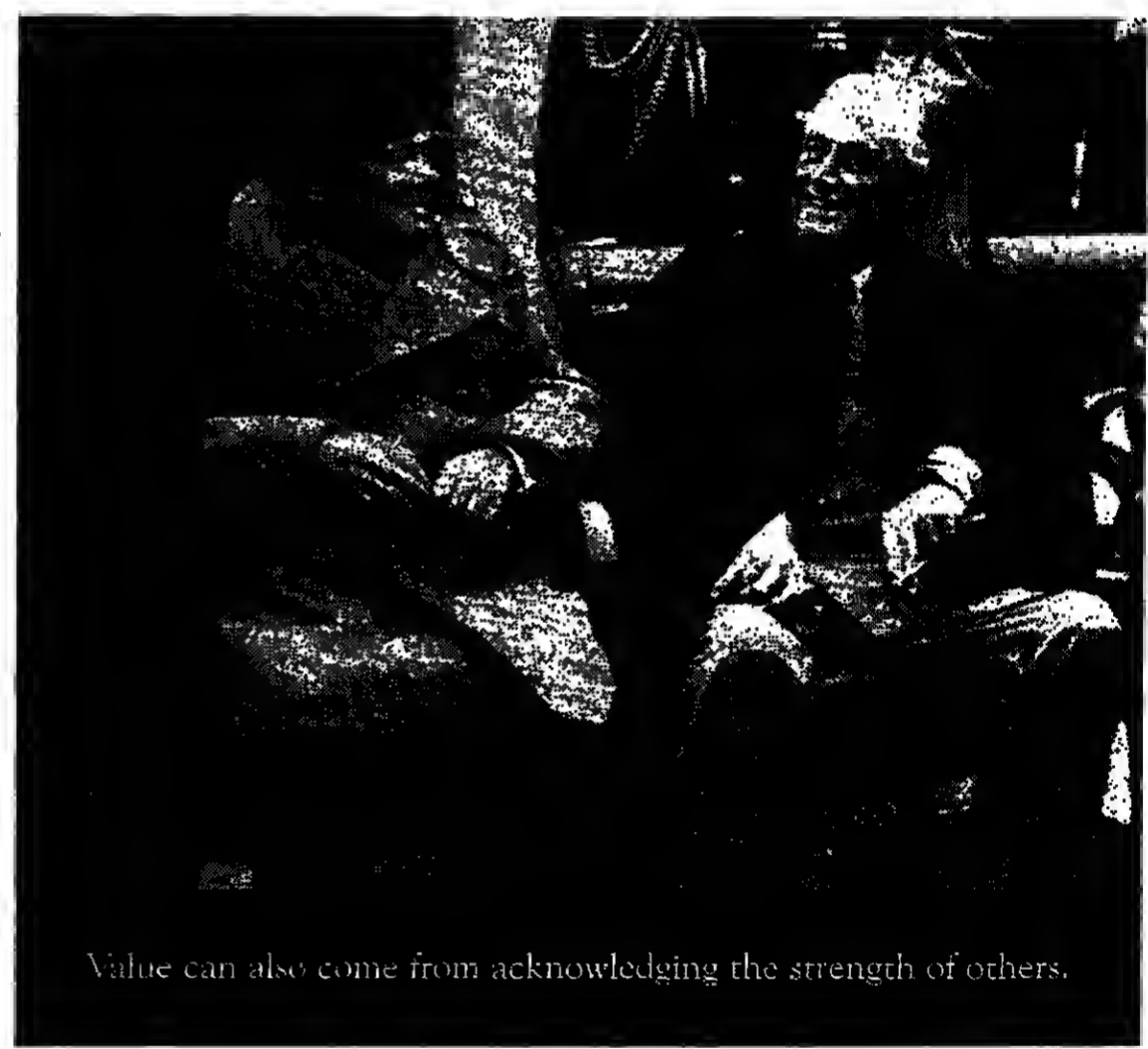
The international airport in Mandalay does not inspire confidence. From the muddy car park, passengers walk a rickety wooden footbridge to a small unkempt terminal where overhead fans circulate more flies than air.

take minority equity stakes in big projects.

750 hectares land reclamation project in Manila, with overseas Chinese investors including the Hong Leon Group of Malaysia and Bangkok Bank and City Realty, both owned by Thailand's Sophonpanich family.

the face of such problems, the company does not rely on realising a profit from its equity stakes.

Value can also come from acknowledging the strength of others.



A way out of this impasse has now been found by Italian Thai Development, one of south-east Asia's largest contractors, with the help of concessional financing from Thailand's Export-Import Bank.

In its local market, Ital-Thai has a record of becoming an equity partner in order to win high-margin turnkey projects.

But although it has chosen not to set up an international contractor, Ital Thai has begun to evaluate the projects it gets involved in differently.

It's moving real slow and is quite a mess.

Ted Bardacke

NOTICE TO HOLDERS OF US\$50,000,000 4% BONDS DUE 2006 (the "Bonds") of FAR EASTERN TEXTILE LTD (the "Company")

Export Development Corporation U.S. \$100,000,000 Collateral Floating Rate Notes due February 5, 2003 Series "YV"

Bankers Trust advertisement text: It is with pride and enthusiasm that Bankers Trust welcomes its new partners from Wolfensohn & Co., a firm whose reputation and track record as a substantive creator of value for its clients has been established at the highest levels.

Vertical text on the left margin: DIGENT, epe Online, AS rescuer, Uclaf ahead 45%, unveils revamp plan, round at AP, INVESTMENTS, ket Corporation, An Extraordinary business Daily Passed.

COMPANIES AND FINANCE: THE AMERICAS

GE Capital spends \$1.8bn on First Colony

By Richard Waters in New York

GE Capital, the financial services arm of General Electric, yesterday reaffirmed its position as one of the most active buyers of US life insurance companies as it unveiled a \$1.8bn acquisition of First Colony, a company based in Lynchburg, Virginia.

The agreement follows a decision by First Colony's board two months ago to put the company up for sale. Before talk of a sale began to emerge, the company's stock was trading at below the \$28 at which it was floated on in 1992, putting its directors under pressure to find a way to lift its share price.

The acquisition will add \$1bn of assets to GE Capital's annuity and pension operations, which are centred around its GNA subsidiary.

Mr Michael Fraizer, senior vice-president for investment products, did not rule out further acquisitions by GE Capital, but said the company would now concentrate on expanding its existing insurance operations.

The acquisition of First Colony will reinforce GE Capital's range of products in three areas where it is not presently strong, Mr Fraizer said.

These are: structured settlements, which are annuity-like contracts bought by recipients of court awards or disability settlements; retirement annuities; and term insurance.

In an industry where size

- and low unit costs - are coming to assume increasing importance, the addition of \$1bn of assets will also reinforce GE Capital's position as one of the low-cost producers of the US life insurance business.

Besides adding to its asset base and product range, First Colony will also extend the number of GNA's sales channels, Mr Fraizer said. Most of its sales are conducted through general agents, while GNA achieves a large proportion of its sales at present through banks.

The fact that there is little overlap between their products and distribution channels means that the operations of First Colony and GNA will not be integrated immediately after the acquisition, although Mr Fraizer did not rule out such a move at a later stage.

GE Capital said it would pay \$36.15 a share in cash for First Colony, and expected the deal to close by the end of this year.

Among other recent acquisitions, the GE unit paid \$960m for Life Insurance Company of Virginia, a former subsidiary of Aon, which brought it \$8bn of new assets. And a year ago, it bought Amex Life, a unit of American Express which had assets of \$1.6bn.

GE Capital is also thought to be studying the acquisition of one of the US's biggest reinsurance companies, American Re. Its existing reinsurance unit, Employers Re, ranks second in the industry in the US to General Re.

Falling profits speed consolidation of HMOs

This is not turning out to be a happy year for the US's managed healthcare companies.

An erosion of profit margins has come as a nasty surprise on Wall Street. Politicians across the nation, prompted by complaints from patients, have hit back with new regulations.

For the companies, which this decade have been in the vanguard of the US's successful assault on medical costs, this has made for an uncomfortable few months.

There is one thing, however, that has not changed: the pace of consolidation that is transforming the industry. Over time, this may prove to be the best way for the managed care companies to reinforce their faltering profit margins. But it seems unlikely to win them back friends in state legislatures across the country, or in the boardrooms of companies that pay their premiums.

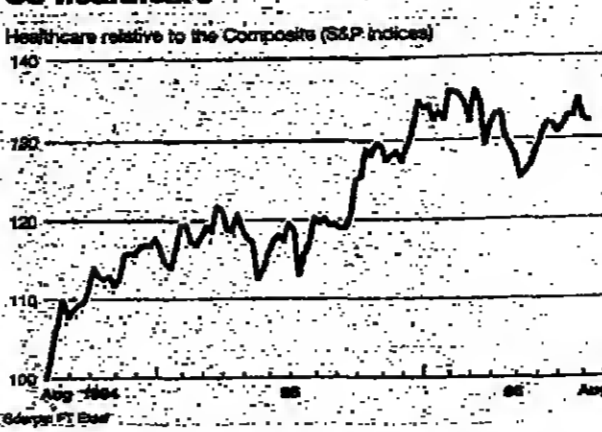
Yesterday's \$2bn acquisition of FHP International by PacificCare Health Systems gave a lift to the share price

of managed care companies at large. The gradual thinning of the ranks of large, publicly-traded companies that run health maintenance organisations leaves progressively fewer to be acquired, raising the stakes for those that remain. Meanwhile, the wholesale purchase of small HMOs reflects the seemingly unstoppable spread of the biggest groups.

For the stock market, this is undeniably good news. Managed care companies have been tremendously successful at containing healthcare inflation - their medical costs are growing at only around 3 per cent a year, compared with the 13 per cent growth still being seen in traditional health insurance companies, says Mr Kenneth Abramowitz, a healthcare analyst at Sanford C Bernstein.

The trouble, as Mr Abramowitz adds, is that their prices have not been growing at all. This bad news on profit margins has been delivered in a series of company announcements. Health-

US healthcare



source, one of the industry's biggest companies, turned in bad first quarter earnings and has since suffered a 70 per cent share price slide. Humana issued a warning about its rising medical costs in early June and saw its shares lose a fifth of their value in a single day.

Then, in early July, it was the turn of United Healthcare, the country's biggest managed care company. Its shares dropped on news of

rising medical costs, eroding 30 per cent of their value in a single day, and have since made up only a third of that loss. These announcements have highlighted two problems. One concerns prices: the competition for new customers has become intense, reflecting the success HMOs have already had in signing up most of the big corporations whose healthcare bills make them the most obvious

customers. To win new customers, HMOs are now having to fight on price.

They are also being forced to offer a wider range of services, in turn lifting their costs. Pressure from local politicians is also nudging HMOs into ensuring that patients are given access to a wider range of services.

FHP has been among the industry's laggards: its growth rate has slowed at the same time that it has been forced to cut premium rates. Also, it has suffered from running its own, inefficient medical centres. To reinforce its earnings, the company has already moved to separate the medical centres into a new entity and has hacked back its workforce by 15 per cent over the last 12 months. PacificCare, with a better record of growth and cost control, should accelerate these changes.

The new company will also be a leader in the corner of the US managed care market which has the best growth prospects: insuring retired people. As the Medi-

care programme for the elderly comes under pressure, the flow of elderly people into managed care plans is likely to increase markedly. Even with the political uncertainty caused by Washington's efforts to control Medicare costs, the high profits in serving the elderly make this a highly attractive market. Of 4m customers after the FHP acquisition, PacificCare will have about 1m in Medicare.

Eventually acquisitions like these are only likely to rekindle stock market enthusiasm for the managed care companies if they bring a return to higher profit margins - something that will depend in part on a return to higher prices.

That is already detectable, says Mr Abramowitz, as the biggest HMOs start to win back pricing power as their market shares rise. As a result, the stock market may finally be over; but HMOs are unlikely to soar back to the top in any political popularity contests.

Richard Waters

Pharmacia sales unchanged

By Daniel Green

Problems in Japan and the US, and with currency movements, left second-quarter sales at Pharmacia & Upjohn, the US-Swedish drugs company created by a merger last year, barely changed at \$1.8bn.

But cost savings as a result of the merger boosted net profits, before restructuring costs, to \$269m from \$240m.

Earnings per share grew 11 per cent to \$0.51 for the quarter ending June 30 1996. This excludes merger and

other non-recurring costs of \$187m, or \$0.31 a share. First-half net sales grew 2 per cent to \$3.51bn, compared with \$3.45bn in the first half of 1995.

Mr Bob Salisbury, chief financial officer, said sales had been affected by the strengthening of the dollar. Sales rose 4 per cent if currency effects were excluded.

He said the company's sales growth was still being held back by competition for products whose patent had expired in recent years. Sales of recently launched products had yet to make up

the gap. The figures had also been affected by compulsory price cuts in Japan.

But he said that launches in the US of Xalatan, for glaucoma, and Camptosar, for cancer, would help lift growth from the end of the year. Mr Salisbury said that merger savings had reduced operating costs' percentage of sales from 84 per cent in 1995 to 79.5 per cent now. The target was 76 per cent by 1998, equating to \$500m a year in savings. More than half the savings were coming from sales and administration.

Inco to go ahead with deal

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, is set to proceed with its \$4.3bn (US\$3.13bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of a lawsuit brought against Diamond Fields by a group of Texan investors.

Diamond Fields, whose main asset is the vast Voisey's Bay nickel, copper and cobalt deposit in eastern Labrador, has agreed to pay US\$25m to the Texas group,

known as Exdiam.

Diamond Fields' co-chairman, Mr Jean-Raymond Boule, was at one time a shareholder in Exdiam. His former partners alleged that he diverted business opportunities from Exdiam to Diamond Fields which helped it finance the Voisey's Bay discovery. They originally claimed a share in the Voisey's Bay property.

Diamond Fields contended that the suit, which emerged only after Inco's agreed bid in March, was designed to exert maximum pressure for a substantial cash settle-

ment. Inco said it would not finalise the deal until the dispute was resolved.

Inco would have been at liberty to walk away from the deal or propose a new offer if a settlement had not been reached by August 31.

Mr Boule further agreed to dismiss his \$37m Texas lawsuit against the Exdiam litigants "in order to permit the merger to proceed".

Inco said yesterday it would move to complete the deal as soon as possible, and expected to announce a closing date within the next week.



Although K. C. Irving died in 1992, his will is still secret

New Brunswickers play guessing game over Irvings

Saint John, the commercial hub of the Canadian province of New Brunswick, is a rarity in the cut-throat world of North American business. The city's shipyard and oil refinery (each the biggest in Canada), its daily newspaper, the bus company, the three pulp and paper mills on the outskirts of town, most service stations and hardware stores, and much else besides, all belong to one family: the Irvings.

The Irvings' reach extends well beyond Saint John. They own 2.6m acres of forest in rural New Brunswick, and have cutting rights to about the same area of land owned by the province. More than 1,000 Irving Oil service stations dot eastern Canada and New England. The family owns New Brunswick's biggest home builder, several long-distance

trucking companies with hundreds of vehicles, and one of Canada's leading potato producers.

Based on a rough calculation, the Irvings' publicly-disclosed assets are worth about C\$4bn (US\$2.9bn).

One thing is certain, however. The Irvings, like several of Canada's other close-knit business families, are in the middle of a transition period that will determine the future stability of their empire.

The family patriarch, Mr K. C. Irving, died in 1992 at the age of 93, almost 60 years after acquiring his first Ford dealership in rural New Brunswick.

The contents of his will, like most other things about the Irvings, are a closely-guarded secret. The various Irving businesses are now run by KC's three sons, Jim (also known as JK), Arthur

and Jack. The brothers, known to locals as Oily, Greasy and Gassy, are all in their 60s.

Five of KC's six grandsons, mostly in their 30s and 40s, are also in the business. The first member of a fourth generation of Irvings has recently surfaced as a journalism trainee at the Saint John Telegraph-Journal.

Mr Jim Irving Jr, KC's oldest grandson, says: "We all operate in our own areas, but we work closely together." In keeping with the family's reputation as ferociously hard workers, Mr Irving adds: "Any meetings are very informal. We're more concerned with getting the job done and keeping things running. If anyone wants to do business Saturday night or Sunday morning, we're open for business."

New Brunswickers grudgingly acknowledge that the Irvings have brought capital and jobs to the province that might otherwise have gone elsewhere. "They do so much for the province," says one retired politician. "The question is whether we'd be better off if there was more competition."

Mr Frank McKenna, the province's premier, generally echoes the sentiment that the family has been good for New Brunswick as a whole. But he says their overwhelming presence in Saint John may have stunted the growth of small business there. "They haven't allowed sunlight into the undergrowth," Mr McKenna says.

At the same time, however, the Irvings appear to sense their limitations. Their assets are confined almost entirely to the relatively isolated markets of Atlantic Canada and New England.

Mr Kenneth Irving, one of KC's grandsons, told the Saint John Telegraph-Journal last month that "we go where the blueberries aren't quite as thick and that's where we do our picking".

The family has recently shown signs of straying from that rule. Irving Tissue last month signed a deal with Kimberly-Clark, the US paper group, to buy a paper mill near Albany, New York, as well as marketing rights throughout the US for Scotties facial tissues.

Scotties has a roughly 6 per cent share of the US tissue market. The fate of the Irving fortune as KC's three sons approach old age is a perpetual guessing game in Saint John.

In theory, JK, Arthur and Jack are equals, each running separate parts of the business. There is little doubt however, that JK, aged 67, is *primus inter pares*

with far wider responsibilities than his younger brothers. A person close to the family describes him as "the last Irving with vision and balls".

However, JK's older daughter, Mary Jean, who is president of Indian River Farms, a potato producer on Prince Edward Island, has emerged in recent years as a powerful entrepreneur. Outsiders' eyes are also on 85-year-old Kenneth who helps his father Arthur run Irving Oil.

The family also relies on a group of hard-working, loyal and faceless managers. These could play a crucial role in keeping the Irvings' businesses on an even keel as the family's control moves from one generation to the next.

Bernard Simon

New Issue

This information appears as a matter of record only. The bonds described below have already been offered for sale.

August 5, 1996

The Dow Chemical Company

Midland, Michigan, USA

DM 300,000,000

5% Bearer Bonds of 1996 Due 1999

Issue Price: 101.50%

Dresdner Bank - Kleinwort Benson
Oraedner Bank Aktiengesellschaft

Deutsche Morgan Grenfell
Deutsche Bank Aktiengesellschaft

| | | |
|---|--|---|
| ABN AMRO Hoare Govett ABN AMRO Bank (Deutschland) AG | Bayerische Vereinsbank AG | CS First Boston Effectenbank Aktiengesellschaft |
| SBC Warburg Schweizerischer Bankverein (Deutschland) AG A Subsidiary of Swiss Bank Corporation | UBS Schweizerische Bankgesellschaft (Deutschland) AG | Westdeutsche Landesbank Girozentrale |
| Bank of Tokyo - Mitsubishi (Deutschland) Aktiengesellschaft | Bankgesellschaft Berlin Aktiengesellschaft | Banque Nationale de Paris S.A. Zweigniederlassung Frankfurt am Main |
| BZW Deutschland Branch of Barclays Bank PLC | Commerzbank Aktiengesellschaft | Dai-ichi Kangyo Bank (Deutschland) AG |
| Fuji Bank (Deutschland) Aktiengesellschaft | HSBC Trinkaus Trinkaus & Burkhart KGaA | ING Barings |
| Rabobank Deutschland AG | Société Générale S.A. | Sumitomo Bank (Deutschland) GmbH |

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.

\$962,000,000

Millicom International Cellular S.A.

13 1/2% Senior Subordinated Discount Notes due 2006

These securities have been sold in the United States in private offerings that included sales pursuant to Rule 144A under the Securities Act of 1933.

Goldman, Sachs & Co.

Morgan Stanley & Co.
Incorporated

Donaldson, Lufkin & Jenrette
Securities Corporation

July 1996

صديقا من الاعمال

Eurotunnel Market share
 Virgin Atlantic talks with SWA
 BA US
 London place
 Need fast figures in a hurry
 We can track down information you need
 Investors
 Markets
 Customers
 Research

صديقا من الاجل

COMPANIES AND FINANCE: UK

Eurotunnel claims market share gains

By Tim Burt Eurotunnel, the Anglo-French operator of the Channel tunnel, yesterday announced a sharp rise in monthly passenger and vehicle numbers and claimed further market share gains from its ferry rivals.

pean Ferries, however, said the entire cross channel market for tourist vehicles had grown 21 per cent in July on the short sea routes.

carried on Eurostar services, meanwhile, rose from 308,027 to 329,330, taking the total so far this year to 2.75m.

Purchase will double Newsquest

By David Blackwell Newsquest, owner of 120 UK regional newspapers, yesterday effectively doubled in size with the £306m (£478m) cash acquisition of Westminster Press, the regional newspaper group.

were valued at £56.4m at the end of last year, and Pearson estimates that the sale will yield a profit of about £238m.

yesterday showed that Westminster Press had operating profits of £18.2m (£4.2m) in the six months to June 30.

£205m management buy-out of local newspapers from Reed Elsevier. Yesterday the US group was joined for the first time by CinVen, which had previously been seen as a front-runner to buy Westminster Press outright.

average investment was for seven years. Mr Brown dismissed any suggestion the regional newspaper business was in decline as "a nonsense".

Virgin Atlantic talks with BWIA

By Bernard Gray Virgin Atlantic, the airline owned by Mr Richard Branson, is in talks with the Caribbean airline BWIA about a possible alliance between the two carriers.

BA rift with USAir widens

By Ross Thomas British Airways lifted pre-tax profits 11 per cent to £150m (£284m) in the three months to June 30, as travellers took to flying further, and first and club class seats improved in popularity.

faces a court case from USAir seeking to dissolve their alliance, said it was confident "all actions and agreements, including our proposed alliance with American Airlines, are consistent with the law and our obligations to USAir."

Hollywood head for Penguin

There are two salient features in the choice of Mr Michael Lynton as chairman and chief executive of Penguin.

Alice Rawsthorn on Michael Lynton's 'opportunity of a lifetime'



One is his age. At 36, he will be the youngest head of one of the world's largest book publishing groups. The second factor is that he is joining Penguin from a Hollywood movie studio, rather than another book publisher.

Mindscape loss hits Pearson

Pearson yesterday announced a sharp fall in first-half profits, as provisions and operating losses incurred at its Mindscape multimedia subsidiary dented an otherwise robust performance by the information, publishing and information group, writes Tim Burt.

The company, which owns the Financial Times, said it had been hit by losses incurred at its Mindscape subsidiary of £38.8m at Mindscape.

Lord Blakenham, chairman, said: "Our progress is obscured by the Mindscape losses, but management action there is well under way and does not distract us from the important task of driving Pearson forward."

The education division, reported increased operating losses of £22.4m (£15.9m), while there were losses of £6m (£38.1m profits) in the entertainment division.

London Fiduciary placing for £15m

London Fiduciary Trust, the AIM-listed company chaired by former England cricketer Mr Phil Edmunds, has raised a further £15.5m (£24.2m) through an institutional placing to fund its gold mining and exploration ventures in the Philippines, writes Kenneth Gooding.

gold production from three mines in the Philippines 30, 185,000 troy ounces next year against 8,000 last year.

Need facts and figures in a hurry?

We can track down the information you need. We are used to satisfying difficult requests in a hurry. Why not prepare yourself for such an occasion by requesting full details of our services today? Alternatively, if you think you may need us now, fax over your request for a cost estimate without obligation.

Form with fields for Name, Position, Organisation, Address, Country, Tel, Fax.



Leica advertisement featuring the text 'Each Leica is an original in its own right - never a mere copy.' and an image of a Leica camera.

of HMOS... Richard Waters... deal

ver Irvings

Bernard Simo

ellular S.A. Account Notes

Lufkin & Jenrette

COMPANIES AND FINANCE: UK

Midland to expand First Direct

By George Graham, Banking Correspondent

Midland Bank has given the go-ahead for further expansion of its First Direct telephone banking subsidiary to keep pace with a flood of new accounts.

Mr Keith Whitson, Midland's chief executive, said First Direct's two current telephone centres would probably cope until the middle of next year, and the expansion should enable it to keep pace with more than

10,000 new customers a month for another year. First Direct's growth, coupled with tight cost control in the main UK banking operations, helped Midland to a 24 per cent increase in pre-tax profits to £551m (£1.02bn) for the six months to June 30.

After several years in which spending on new computer systems and branch refurbishment kept Midland's costs among the highest in the UK banking sector, operating expenses

dropped to £1.13bn. The bank's cost to income ratio fell from 68 to 62.5 per cent.

Midland is the principal UK division of the HSBC international banking group. It contributed almost 30 per cent of group profits, which climbed to £2.32bn before tax, up 34 per cent.

Midland increased its market share in the UK and lifted net interest income by 4.5 per cent to £964m despite a drop in net interest margin from 2.86 per cent to 2.87 per cent. Sir William Purves,

HSBC's chairman, said about 10 basis points of the drop in interest margin was attributable to the start-up of the UK's new gilt repurchase market.

In addition, fierce competition in the UK mortgage market depressed margins, though the pressure now showed some signs of easing.

HSBC Midland, incorporating the group's treasury operations in London, New York and Tokyo, increased operating profits by 73 per cent to £79m, with interest

rate derivatives boosting dealing profits.

HSBC Investment Banking, which since April 1 has combined the James Capel equities business with the Samuel Montagu investment bank, increased pre-tax profits by 71 per cent to £174m, buoyed by the sale of most of the group's stake in Kay Hian James Capel, a leading Singapore stockbroker.

Sir William said HSBC had no plans to require a UK life insurer or US investment bank.

The Government of Punjab, Republic of India
Department of Lotteries



PUNJAB STATE LOTTERIES

Agency to run On-Line Lottery

The Department of Lotteries, Government of Punjab, India invites bidders to participate in a competitive bidding process for selection as an exclusive Agent of the Government of Punjab for running an On-Line Lottery throughout India.

* The Agency will be granted for a period of five (5) years.

* Highlights of the pre-qualification conditions are given below:

- the bidder should have minimum three years of relevant experience in on-line lotteries or gaming;
- the bidding consortium should have a minimum networth of Rs.500 million and a minimum gross turnover from operations of Rs.2000 million;
- the company with the relevant experience must have atleast 26% shareholding in the bidding company.

Tender Documents will be available at the addresses given below on receipt of a letter of interest accompanied with a bank draft of Rs.10,000, drawn in favour of "The Director - Punjab State Lotteries" payable at Chandigarh. Last date of receipt of request for the tender document is August 27, 1996.

The Director,
Punjab State Lotteries,
Batra Building II, SCO: 106-108, Sector 17-D,
Chandigarh 160 017, Tel: (91)-172) 702634

Chief: International,
ICICI Securities and Finance Company Limited,
41/ 44, Minoo Desai Marg, Colaba, Mumbai- 400 005,
Tel: (91)-22) 288 2460

Prices for electricity generated by the companies of the electricity generating and distribution companies in England and Wales.

Monday 5th August 1996 (Price in pence per kWh)

| 1/2 hour period | Peak | Off-peak | Off-peak |
|-----------------|-------|----------|----------|
| 0030 | 9.04 | 13.04 | 13.25 |
| 0100 | 9.02 | 12.44 | 13.04 |
| 0130 | 9.01 | 12.44 | 13.24 |
| 0200 | 9.01 | 8.92 | 9.71 |
| 0230 | 9.01 | 8.92 | 9.71 |
| 0300 | 9.01 | 8.92 | 9.71 |
| 0330 | 9.01 | 8.92 | 9.71 |
| 0400 | 9.01 | 8.92 | 9.71 |
| 0430 | 9.01 | 8.92 | 9.71 |
| 0500 | 9.01 | 8.92 | 9.71 |
| 0530 | 9.01 | 8.92 | 9.71 |
| 0600 | 9.02 | 8.92 | 9.71 |
| 0630 | 9.02 | 8.92 | 9.71 |
| 0700 | 9.02 | 8.92 | 9.71 |
| 0730 | 12.92 | 12.57 | 17.40 |
| 0800 | 16.77 | 16.25 | 19.58 |
| 0830 | 18.12 | 17.26 | 22.97 |
| 0900 | 24.96 | 23.94 | 30.83 |
| 0930 | 28.20 | 26.88 | 34.73 |
| 1000 | 48.70 | 33.86 | 39.01 |
| 1030 | 57.83 | 36.05 | 45.28 |
| 1100 | 60.50 | 43.80 | 51.48 |
| 1130 | 62.76 | 50.66 | 58.92 |
| 1200 | 71.17 | 68.78 | 76.87 |
| 1230 | 77.22 | 69.82 | 78.54 |
| 1300 | 77.77 | 69.81 | 78.48 |
| 1330 | 70.16 | 63.91 | 71.88 |
| 1400 | 56.22 | 54.77 | 58.23 |
| 1430 | 48.80 | 47.67 | 53.47 |
| 1500 | 38.06 | 36.80 | 38.22 |
| 1530 | 28.20 | 26.88 | 28.73 |
| 1600 | 28.06 | 24.38 | 26.65 |
| 1630 | 24.05 | 24.03 | 23.24 |
| 1700 | 22.72 | 22.08 | 22.77 |
| 1730 | 22.72 | 22.08 | 22.77 |
| 1800 | 20.21 | 20.46 | 20.28 |
| 1830 | 18.67 | 18.11 | 18.61 |
| 1900 | 18.57 | 17.10 | 17.53 |
| 1930 | 18.42 | 16.51 | 17.31 |
| 2000 | 18.10 | 16.22 | 17.11 |
| 2100 | 15.82 | 14.32 | 15.11 |
| 2130 | 15.82 | 14.32 | 15.11 |
| 2200 | 23.10 | 18.88 | 20.77 |
| 2230 | 22.04 | 18.26 | 20.22 |
| 2300 | 17.82 | 16.97 | 18.77 |
| 2330 | 15.82 | 14.32 | 15.11 |
| 2400 | 12.78 | 14.18 | 16.08 |

Prices are determined for every half-hour in each business day. Prices are in pence per kWh. Prices are subject to change without notice. The prices shown are for the period 1st August 1996 to 31st August 1996. Prices for the period 1st September 1996 to 31st August 1997 are subject to change without notice. The prices shown are for the period 1st September 1996 to 31st August 1997. Prices for the period 1st September 1997 to 31st August 1998 are subject to change without notice. The prices shown are for the period 1st September 1997 to 31st August 1998. Prices for the period 1st September 1998 to 31st August 1999 are subject to change without notice. The prices shown are for the period 1st September 1998 to 31st August 1999. Prices for the period 1st September 1999 to 31st August 2000 are subject to change without notice. The prices shown are for the period 1st September 1999 to 31st August 2000. Prices for the period 1st September 2000 to 31st August 2001 are subject to change without notice. The prices shown are for the period 1st September 2000 to 31st August 2001. Prices for the period 1st September 2001 to 31st August 2002 are subject to change without notice. The prices shown are for the period 1st September 2001 to 31st August 2002. Prices for the period 1st September 2002 to 31st August 2003 are subject to change without notice. The prices shown are for the period 1st September 2002 to 31st August 2003. Prices for the period 1st September 2003 to 31st August 2004 are subject to change without notice. The prices shown are for the period 1st September 2003 to 31st August 2004. Prices for the period 1st September 2004 to 31st August 2005 are subject to change without notice. The prices shown are for the period 1st September 2004 to 31st August 2005. Prices for the period 1st September 2005 to 31st August 2006 are subject to change without notice. The prices shown are for the period 1st September 2005 to 31st August 2006. Prices for the period 1st September 2006 to 31st August 2007 are subject to change without notice. The prices shown are for the period 1st September 2006 to 31st August 2007. Prices for the period 1st September 2007 to 31st August 2008 are subject to change without notice. The prices shown are for the period 1st September 2007 to 31st August 2008. Prices for the period 1st September 2008 to 31st August 2009 are subject to change without notice. The prices shown are for the period 1st September 2008 to 31st August 2009. Prices for the period 1st September 2009 to 31st August 2010 are subject to change without notice. The prices shown are for the period 1st September 2009 to 31st August 2010. Prices for the period 1st September 2010 to 31st August 2011 are subject to change without notice. The prices shown are for the period 1st September 2010 to 31st August 2011. Prices for the period 1st September 2011 to 31st August 2012 are subject to change without notice. The prices shown are for the period 1st September 2011 to 31st August 2012. Prices for the period 1st September 2012 to 31st August 2013 are subject to change without notice. The prices shown are for the period 1st September 2012 to 31st August 2013. Prices for the period 1st September 2013 to 31st August 2014 are subject to change without notice. The prices shown are for the period 1st September 2013 to 31st August 2014. Prices for the period 1st September 2014 to 31st August 2015 are subject to change without notice. The prices shown are for the period 1st September 2014 to 31st August 2015. Prices for the period 1st September 2015 to 31st August 2016 are subject to change without notice. The prices shown are for the period 1st September 2015 to 31st August 2016. Prices for the period 1st September 2016 to 31st August 2017 are subject to change without notice. The prices shown are for the period 1st September 2016 to 31st August 2017. Prices for the period 1st September 2017 to 31st August 2018 are subject to change without notice. The prices shown are for the period 1st September 2017 to 31st August 2018. Prices for the period 1st September 2018 to 31st August 2019 are subject to change without notice. The prices shown are for the period 1st September 2018 to 31st August 2019. Prices for the period 1st September 2019 to 31st August 2020 are subject to change without notice. The prices shown are for the period 1st September 2019 to 31st August 2020. Prices for the period 1st September 2020 to 31st August 2021 are subject to change without notice. The prices shown are for the period 1st September 2020 to 31st August 2021. Prices for the period 1st September 2021 to 31st August 2022 are subject to change without notice. The prices shown are for the period 1st September 2021 to 31st August 2022. Prices for the period 1st September 2022 to 31st August 2023 are subject to change without notice. The prices shown are for the period 1st September 2022 to 31st August 2023. Prices for the period 1st September 2023 to 31st August 2024 are subject to change without notice. The prices shown are for the period 1st September 2023 to 31st August 2024. Prices for the period 1st September 2024 to 31st August 2025 are subject to change without notice. The prices shown are for the period 1st September 2024 to 31st August 2025. Prices for the period 1st September 2025 to 31st August 2026 are subject to change without notice. The prices shown are for the period 1st September 2025 to 31st August 2026. Prices for the period 1st September 2026 to 31st August 2027 are subject to change without notice. The prices shown are for the period 1st September 2026 to 31st August 2027. Prices for the period 1st September 2027 to 31st August 2028 are subject to change without notice. The prices shown are for the period 1st September 2027 to 31st August 2028. Prices for the period 1st September 2028 to 31st August 2029 are subject to change without notice. The prices shown are for the period 1st September 2028 to 31st August 2029. Prices for the period 1st September 2029 to 31st August 2030 are subject to change without notice. The prices shown are for the period 1st September 2029 to 31st August 2030. Prices for the period 1st September 2030 to 31st August 2031 are subject to change without notice. The prices shown are for the period 1st September 2030 to 31st August 2031. Prices for the period 1st September 2031 to 31st August 2032 are subject to change without notice. The prices shown are for the period 1st September 2031 to 31st August 2032. Prices for the period 1st September 2032 to 31st August 2033 are subject to change without notice. The prices shown are for the period 1st September 2032 to 31st August 2033. Prices for the period 1st September 2033 to 31st August 2034 are subject to change without notice. The prices shown are for the period 1st September 2033 to 31st August 2034. Prices for the period 1st September 2034 to 31st August 2035 are subject to change without notice. The prices shown are for the period 1st September 2034 to 31st August 2035. Prices for the period 1st September 2035 to 31st August 2036 are subject to change without notice. The prices shown are for the period 1st September 2035 to 31st August 2036. Prices for the period 1st September 2036 to 31st August 2037 are subject to change without notice. The prices shown are for the period 1st September 2036 to 31st August 2037. Prices for the period 1st September 2037 to 31st August 2038 are subject to change without notice. The prices shown are for the period 1st September 2037 to 31st August 2038. Prices for the period 1st September 2038 to 31st August 2039 are subject to change without notice. The prices shown are for the period 1st September 2038 to 31st August 2039. Prices for the period 1st September 2039 to 31st August 2040 are subject to change without notice. The prices shown are for the period 1st September 2039 to 31st August 2040. Prices for the period 1st September 2040 to 31st August 2041 are subject to change without notice. The prices shown are for the period 1st September 2040 to 31st August 2041. Prices for the period 1st September 2041 to 31st August 2042 are subject to change without notice. The prices shown are for the period 1st September 2041 to 31st August 2042. Prices for the period 1st September 2042 to 31st August 2043 are subject to change without notice. The prices shown are for the period 1st September 2042 to 31st August 2043. Prices for the period 1st September 2043 to 31st August 2044 are subject to change without notice. The prices shown are for the period 1st September 2043 to 31st August 2044. Prices for the period 1st September 2044 to 31st August 2045 are subject to change without notice. The prices shown are for the period 1st September 2044 to 31st August 2045. Prices for the period 1st September 2045 to 31st August 2046 are subject to change without notice. The prices shown are for the period 1st September 2045 to 31st August 2046. Prices for the period 1st September 2046 to 31st August 2047 are subject to change without notice. The prices shown are for the period 1st September 2046 to 31st August 2047. Prices for the period 1st September 2047 to 31st August 2048 are subject to change without notice. The prices shown are for the period 1st September 2047 to 31st August 2048. Prices for the period 1st September 2048 to 31st August 2049 are subject to change without notice. The prices shown are for the period 1st September 2048 to 31st August 2049. Prices for the period 1st September 2049 to 31st August 2050 are subject to change without notice. The prices shown are for the period 1st September 2049 to 31st August 2050. Prices for the period 1st September 2050 to 31st August 2051 are subject to change without notice. The prices shown are for the period 1st September 2050 to 31st August 2051. Prices for the period 1st September 2051 to 31st August 2052 are subject to change without notice. The prices shown are for the period 1st September 2051 to 31st August 2052. Prices for the period 1st September 2052 to 31st August 2053 are subject to change without notice. The prices shown are for the period 1st September 2052 to 31st August 2053. Prices for the period 1st September 2053 to 31st August 2054 are subject to change without notice. The prices shown are for the period 1st September 2053 to 31st August 2054. Prices for the period 1st September 2054 to 31st August 2055 are subject to change without notice. The prices shown are for the period 1st September 2054 to 31st August 2055. Prices for the period 1st September 2055 to 31st August 2056 are subject to change without notice. The prices shown are for the period 1st September 2055 to 31st August 2056. Prices for the period 1st September 2056 to 31st August 2057 are subject to change without notice. The prices shown are for the period 1st September 2056 to 31st August 2057. Prices for the period 1st September 2057 to 31st August 2058 are subject to change without notice. The prices shown are for the period 1st September 2057 to 31st August 2058. Prices for the period 1st September 2058 to 31st August 2059 are subject to change without notice. The prices shown are for the period 1st September 2058 to 31st August 2059. Prices for the period 1st September 2059 to 31st August 2060 are subject to change without notice. The prices shown are for the period 1st September 2059 to 31st August 2060. Prices for the period 1st September 2060 to 31st August 2061 are subject to change without notice. The prices shown are for the period 1st September 2060 to 31st August 2061. Prices for the period 1st September 2061 to 31st August 2062 are subject to change without notice. The prices shown are for the period 1st September 2061 to 31st August 2062. Prices for the period 1st September 2062 to 31st August 2063 are subject to change without notice. The prices shown are for the period 1st September 2062 to 31st August 2063. Prices for the period 1st September 2063 to 31st August 2064 are subject to change without notice. The prices shown are for the period 1st September 2063 to 31st August 2064. Prices for the period 1st September 2064 to 31st August 2065 are subject to change without notice. The prices shown are for the period 1st September 2064 to 31st August 2065. Prices for the period 1st September 2065 to 31st August 2066 are subject to change without notice. The prices shown are for the period 1st September 2065 to 31st August 2066. Prices for the period 1st September 2066 to 31st August 2067 are subject to change without notice. The prices shown are for the period 1st September 2066 to 31st August 2067. Prices for the period 1st September 2067 to 31st August 2068 are subject to change without notice. The prices shown are for the period 1st September 2067 to 31st August 2068. Prices for the period 1st September 2068 to 31st August 2069 are subject to change without notice. The prices shown are for the period 1st September 2068 to 31st August 2069. Prices for the period 1st September 2069 to 31st August 2070 are subject to change without notice. The prices shown are for the period 1st September 2069 to 31st August 2070. Prices for the period 1st September 2070 to 31st August 2071 are subject to change without notice. The prices shown are for the period 1st September 2070 to 31st August 2071. Prices for the period 1st September 2071 to 31st August 2072 are subject to change without notice. The prices shown are for the period 1st September 2071 to 31st August 2072. Prices for the period 1st September 2072 to 31st August 2073 are subject to change without notice. The prices shown are for the period 1st September 2072 to 31st August 2073. Prices for the period 1st September 2073 to 31st August 2074 are subject to change without notice. The prices shown are for the period 1st September 2073 to 31st August 2074. Prices for the period 1st September 2074 to 31st August 2075 are subject to change without notice. The prices shown are for the period 1st September 2074 to 31st August 2075. Prices for the period 1st September 2075 to 31st August 2076 are subject to change without notice. The prices shown are for the period 1st September 2075 to 31st August 2076. Prices for the period 1st September 2076 to 31st August 2077 are subject to change without notice. The prices shown are for the period 1st September 2076 to 31st August 2077. Prices for the period 1st September 2077 to 31st August 2078 are subject to change without notice. The prices shown are for the period 1st September 2077 to 31st August 2078. Prices for the period 1st September 2078 to 31st August 2079 are subject to change without notice. The prices shown are for the period 1st September 2078 to 31st August 2079. Prices for the period 1st September 2079 to 31st August 2080 are subject to change without notice. The prices shown are for the period 1st September 2079 to 31st August 2080. Prices for the period 1st September 2080 to 31st August 2081 are subject to change without notice. The prices shown are for the period 1st September 2080 to 31st August 2081. Prices for the period 1st September 2081 to 31st August 2082 are subject to change without notice. The prices shown are for the period 1st September 2081 to 31st August 2082. Prices for the period 1st September 2082 to 31st August 2083 are subject to change without notice. The prices shown are for the period 1st September 2082 to 31st August 2083. Prices for the period 1st September 2083 to 31st August 2084 are subject to change without notice. The prices shown are for the period 1st September 2083 to 31st August 2084. Prices for the period 1st September 2084 to 31st August 2085 are subject to change without notice. The prices shown are for the period 1st September 2084 to 31st August 2085. Prices for the period 1st September 2085 to 31st August 2086 are subject to change without notice. The prices shown are for the period 1st September 2085 to 31st August 2086. Prices for the period 1st September 2086 to 31st August 2087 are subject to change without notice. The prices shown are for the period 1st September 2086 to 31st August 2087. Prices for the period 1st September 2087 to 31st August 2088 are subject to change without notice. The prices shown are for the period 1st September 2087 to 31st August 2088. Prices for the period 1st September 2088 to 31st August 2089 are subject to change without notice. The prices shown are for the period 1st September 2088 to 31st August 2089. Prices for the period 1st September 2089 to 31st August 2090 are subject to change without notice. The prices shown are for the period 1st September 2089 to 31st August 2090. Prices for the period 1st September 2090 to 31st August 2091 are subject to change without notice. The prices shown are for the period 1st September 2090 to 31st August 2091. Prices for the period 1st September 2091 to 31st August 2092 are subject to change without notice. The prices shown are for the period 1st September 2091 to 31st August 2092. Prices for the period 1st September 2092 to 31st August 2093 are subject to change without notice. The prices shown are for the period 1st September 2092 to 31st August 2093. Prices for the period 1st September 2093 to 31st August 2094 are subject to change without notice. The prices shown are for the period 1st September 2093 to 31st August 2094. Prices for the period 1st September 2094 to 31st August 2095 are subject to change without notice. The prices shown are for the period 1st September 2094 to 31st August 2095. Prices for the period 1st September 2095 to 31st August 2096 are subject to change without notice. The prices shown are for the period 1st September 2095 to 31st August 2096. Prices for the period 1st September 2096 to 31st August 2097 are subject to change without notice. The prices shown are for the period 1st September 2096 to 31st August 2097. Prices for the period 1st September 2097 to 31st August 2098 are subject to change without notice. The prices shown are for the period 1st September 2097 to 31st August 2098. Prices for the period 1st September 2098 to 31st August 2099 are subject to change without notice. The prices shown are for the period 1st September 2098 to 31st August 2099. Prices for the period 1st September 2099 to 31st August 2100 are subject to change without notice. The prices shown are for the period 1st September 2099 to 31st August 2100.

Filtronic hit by US delays

By Patrick Harverson

Filtronic Comtek, the telecoms components group, warned yesterday that profits this year would fall to meet analysts' expectations as a result of US companies delaying expected orders for its equipment.

The shares, floated in October 1994 at 105p, fell 45p to 196p.

The company, which makes components for the worldwide mobile telecommunications market, yesterday reported a slight fall in annual pre-tax profits from £3.28m to £3.35m (£5.07m).

Filtronic warned in March that its profits would be hit by delays in US orders caused by systems manufacturers experiencing technical trouble developing code division multiple access (CDMA) systems, a US version of digital mobile phones.

Yesterday, it said the delays were proving longer



than management had expected. "Earlier this year we thought the delay would be three to six months, but it's turned out to be nine to 12 months," said Professor David Rhodes, chairman.

The delays meant that while development spending on the CDMA programme had continued to climb, US sales failed to meet expectations.

However, Professor Rhodes expressed confidence about the outlook for CDMA, noting that two of Filtronic's biggest customers - AT&T and Motorola - had recently secured federal approval for their systems.

Despite the setback over CDMA, total sales climbed 30 per cent to £33.4m last year, driven by growth in Europe, Australia and in non-CDMA markets in the US.

Legal costs peg London Pacific

London Pacific Group, the investment management company formerly known as Govett & Co, yesterday reported profits will be held back by the costs of its legal battle with one of the funds it managed, writes Nicholas Denton.

Profits before tax at the group, which consists mainly of US businesses, but is listed in the UK, fell 4 per cent to £13.8m in the six months to June. The drop was attributed to an exceptional item of \$4.4m of legal costs.

Last year American Endeavour accused Govett & Co - as London Pacific was then called - of racketeering and other offences. It filed suit for \$67m in damages, first in the US and then in Jersey. London Pacific countered with a claim for \$446m. It contended that American Endeavour derailed its planned acquisition of Duff & Phelps, the US investment management company.

In 1995, London Pacific spent \$9.2m on litigation. The first half of 1996 brings that total to \$13.6m, making it one of the most expensive legal disputes in the fund management industry. London Pacific said it expected the current rate of expenditure to continue.

CHELSEA BUILDING SOCIETY
\$15,000,000
Subordinated Floating Rate Notes
Due 2004

In accordance with the terms and conditions of the Notes, notice is hereby given that the Date of Interest for the Interest Period 1 August 1996 to 2 February 1997 has been fixed at 7.25% per cent per annum. The coupon amount per \$100,000 will be \$7,250.22 payable on 3 February 1997 against presentation of the relevant Note.

THE INDUSTRIAL BANK OF JAPAN LIMITED
Agent Bank

MARGINED CURRENCY DEALING

Laurion

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Germany 030 6446 Greece 0200 4822016
India 1 800 550018 Italy 1678 70775
Netherlands 800 1181 Portugal 0200 4822061
Spain 900 994914 Sweden 0200 4822017
Switzerland 165 5548 Switzerland 165 5548

OR CALL DIRECT Tel: (49) 40 301 870 Fax: (49) 40 321 851

RESULTS

| Company | Turnover (£m) | Pre-tax profit (£m) | EPS (p) | Current dividend (p) | Date of payment | Dividends Corresponding dividend | Total for year | Total last year |
|------------------|-------------------|---------------------|---------------|----------------------|-----------------|----------------------------------|----------------|-----------------|
| African Lakes | 6 mths to Mar 31 | 12 (18.7) | 0.457 | (0.94) | 71 | (11.27) | - | - |
| British Airways | 6 mths to June 30 | 23.5 (28.9) | 3.1 (7.57) | 4.51 (11.5) | 2.25 | Nov 15 | 2.25 | 9 |
| British Telecom | 3 mths to June 30 | 2,103 (1,904) | 150 (135) | 11.9 (10.5) | - | - | - | 13.85 |
| Filtronic Comtek | Yr to May 31 | 33.4 (25.7) | 3.25 (3.28) | 5.591 (6.36) | 0.25 | Nov 1 | 0.75 | 1 |
| HSBC | 6 mths to June 30 | - | 2.321 (1,737) | 60.14 (48.11) | 15 | Oct 11 | 9.25 | 32 |
| Lloyds | 3 mths to June 30 | 14.31 (8.37) | 0.416 (1.82) | 0.5 (2.2) | nil | - | 0.25 | 0.5 |
| McKays Shoes | Yr to Mar 31 | 8.25 (9.16) | 2.84 (2.85) | 8.7 (8.1) | 3.4 | Oct 8 | 3.1 | 5.2 |
| Pearson | 6 mths to June 30 | 939.6 (780.9) | 30.24 (30.54) | 2.8 (3.5) | 5.9 | Nov 1 | 6.325</ | |

INTERNATIONAL PEOPLE

Sam hands on Simex chair

Simex, the Singapore futures exchange which was thrust into an unwelcome spotlight over the Baffins bank crisis, is shuffling its senior board members. Elizabeth Sam, who has served the maximum term as chairman, is stepping down and will be replaced by Victor Liew Cheng San.

Liew graduated in 1972 and, after working for an American bank in Singapore, joined Overseas Union Bank as head of Treasury in 1980. He has been a director of Simex for the past five years and is chairman of the exchange's clearing house committee.

Sam started her career with the ministry of finance in 1962 and in 1971 was transferred to the Monetary Authority of Singapore, where she rose to chief manager. She was also a main board director of Mercantile House, which was taken over by British & Commonwealth before it collapsed.

She has been a director of Simex since it was set up in 1984 and has served two three-year terms as chairman. She will continue as deputy chairman. Peter John

More fun with Hahn

North Americans already spend a big chunk of their leisure time in shopping malls. In an effort to keep them there even longer, mall developers are adding a plethora of entertainment facilities.

So it comes as no surprise that the new senior vice-president at The Hahn Company, one of the US's biggest regional shopping mall developers, is David Mal-muth, formerly vice-president at Walt Disney's development arm.

Hahn, which manages 38 shopping centres with 35m sq ft of retail space, is wholly owned by Trizec, the Toronto-based developer controlled by Peter Munk, the Canadian entrepreneur.

Mal-muth, 41, joined Disney in 1988. His projects have included the renovation of New York's New Amsterdam theatre, one of the grandest around Times Square, which itself is in the throes of an elaborate facelift.

Hahn reckons its Hortow Plaza mall in San Diego is the shape of things to come. The mall claims to be the city's third biggest tourist attraction. Arnold Schwarzenegger was on hand last year for the opening of a 13,000 sq ft Planet Holly-

wood restaurant. A Warner Brothers studio store meanwhile displays replicas of three P-34 jets piloted by Bugs Bunny, Tweety and the Tasmanian Devil. Mal-muth should feel at home.

Quinn heads bank

Lochlan Quinn, brother of Ruairi Quinn, the Irish Republic's finance minister, is to become non-executive chairman of Allied Irish Banks, the country's largest bank.

Quinn, 54, succeeds Jim Culliton, who is retiring for personal reasons after just one term.

The appointment, which was unanimously approved by the board, took many bankers by surprise. Quinn has been a director for only 14 months, having joined the board as a non-executive director in May 1995.

Apart from a stint on the board of the National Museum, he has none of the high-profile public service experience of Culliton or the previous incumbent, Peter Sutherland, the former EU commissioner and head of the World Trade Organisation.

His three-year term at the head of AIB will cover the critical period in the run-up to the planned introduction of a single European currency, when Dublin's financial services sector is expected to undergo a big adjustment as its foreign exchange business is cut and institutions try to absorb the one-off costs of conversion to the Euro.

Quinn is former partner with Arthur Andersen, the local branch of the US accountants. He owns 26 per cent of Glen Dimplex, a successful consumer electronics company, and also has hotel and restaurant interests.

Those include a stake in Patrick Guilbaud's, Dublin's foremost restaurant, which received its second Michelin star this year - just in time to lure the European bureaucrats who will be hilled in Ireland during the country's six-month presidency of the European Union. John Murray Brown

SA soccer top job

Trevor Phillips, who resigned in May as commercial director of the English Football Association after a row over ticket sales for the Euro 96 championships, has landed a new job on the wild frontier of corporate soccer, as chief executive of South Africa's nascent profes-

sional football premier league. Phillips, 54, moved to the FA in 1992 from the Football League. His hard-nosed style - a stark contrast to that of the British football administration old guard - could be just the ticket for the 18-member South African league, which has been beset by controversy in the build-up to its launch next month.

Earlier this year, the South African sports minister launched a judicial inquiry into the business dealings of the South African Football Association and the old-format National Soccer League. Last month, the league's former public relations officer, Abdul Bhamjee, was released from prison on parole, after serving less than half of a 14-year sentence for his part in a multi-million-rand fraud.

Phillips, who is on an initial one-year contract, has been charged with building the league's sponsorship, television and merchandising business. A R60m (\$13.4m) sponsorship deal with the South African Broadcasting Corporation to screen at least two matches a week is in place, but no fixture list has been arranged. The new season kicks off on August 9.

Mark Ashurst

ON THE MOVE

Louis Gallois, chairman of French state aircraft manufacturer Aerospatiale, has been appointed head of the SNCF state railway company.

Olivier Vincent has been named by GTE DIRECTORIES of the US to the new position of vice-president/general manager, Europe, based in Brussels, where GTE publishes directories in partnership with Belgacom through their joint-venture company, BDS. GTE is one of the largest publicly held telecommunications companies in the world.

Daniel Canel joins UBS SECURITIES as senior managing director and head of North American and European emerging fixed income market sales, trading, research, origination and syndicate. He was previously co-head of global emerging markets at Chase Manhattan Bank.

Wayne Murdy has been appointed executive vice-president of NEWMONT MINING CORPORATION and Newmont Gold Company. John Dow becomes senior vice-president of exploration.

Michael Dawe becomes vice-president, sales and distribution of EQUITABLE LIFE INSURANCE COMPANY OF CANADA.

Yotaro Wakayama becomes a director of Perusahaan Sadur Timah Malaysia (PERSTIMA); he replaces Tadaatsu Kohara, who resigned on June 21.

Douglas Woods has resigned as president and chief operating officer of WICKES LUMBER of the US. Steven Wilson, chairman and chief executive, has reassumed the duties of president.

Albin Moechner has resigned as president and chief executive of ZENITH ELECTRONICS. Peter Willmott, a member of Zenith's board for the past six years, takes over as interim president and chief executive.

Klaus Bechmann has resigned as chairman of BRANDKASSE, the German savings-insurance group with effect from October.

Manfred Ahlendorf, 61, has resigned as management board chairman of GESTRA, the industrial fittings manufacturer now 90 per cent controlled by Siebe of the UK.

Marcel Portela Alvarez has been appointed chief executive of TELEFONICA DE ESPANA's international Telefonica International, replacing Ignacio Santillana. Portela is a former general director of Argentina. Santillana becomes head of Telefonica's international communications department.

AMERICA WEST AIRLINES has appointed Kevin Short as vice-president, revenue management.

Thomas Flournoy joins the executive management committee of NEW YORK LIFE INSURANCE.

Rachel King succeeds James Barratt as chief executive of GENETIC THERAPY, a wholly owned subsidiary of Sandoz, on August 31. King is now vice-president of product planning.

Four staff vice-presidents have been appointed at TIMES MIRROR: Debra Domeyer, Stanley Fouts, Martha Goldstein, and Jean Jarvis.

Paul Gerbecks, 48, joins the executive board of DEUTSCHE BORSE. He will take charge of the information technology division.

Graeme McGregor joins the board of BROKEN HILL PROPRIETARY with effect from August 20.

Christine Morin-Postel, 49, chairman and chief executive of Crediteux, joins the board of RANK ORGANISATION of the UK, as a non-executive director.

Yuji Wada has resigned as executive director of MARIUCHI MALAYSIA STEEL TUBE. He will be replaced by Yoshihisa Morikawa.

Tan Beng Lee has been appointed chief executive of GREAT EASTERN LIFE ASSURANCE. He replaces former managing director A. J. Pathmarajah, who resigned in January.

Malcolm Sherman has been appointed chairman of the board of ECKO Group, manufacturer and marketer of branded housewares products.

Norm Fussell retires as chairman and director of HIGHLANDS GOLD of Australia. William Hodgson will act as chairman for the time being.

Daniel Mudd has been appointed by GE CAPITAL SERVICES as president of GE Capital Services Asia-Pacific, based in Hong Kong.

Pier Carlo Falotti, executive vice-president for international operations at

AT&T, is resigning from September 1. John Petrillo, 47, executive vice-president for strategy and service innovation, will assume responsibility for international operations.

Paul Hofer, former head of Credit Suisse in London, has been appointed management board chairman of CREDIT SUISSE (Deutschland), where Bertil Rydevik has joined the management board and Friedrich Kenn has stepped down as a management board member.

Fritz Kall, 44, has been appointed finance director of DEUTSCHE BABCOCK.

Microsoft has promoted seven product group leaders to vice-president. They are: Robbie Bach, marketing, desktop applications; Lewis Levin, desktop finance; Rick Thompson, input services group; Brad Chase, developer relations and marketing; Internet platform and tools; Moshe Dunle, engineering general management, desktop business and systems; Rich Tong, marketing and training, desktop and business systems; and David Vaskevitch, database and transaction products, desktop and business systems.

Harold Ingalls joins LAROCHE INDUSTRIES as chief financial officer.

William Hodder is retiring as chairman and chief executive of DONALDSON COMPANY after 27 years. William Van Dyke takes over as chairman, president and chief executive.

John King becomes managing director of ALLIANCE GAS, the UK gas marketing subsidiary of Statoil, the Norwegian state-owned oil and gas company. Alliance, which began trading last week, has taken over the customer base, assets and staff of a previous company of the same name that was jointly owned by Statoil, BP and Norsk Hydro. King was formerly with Statoil's US operations; the rest of the management team has been inherited from the old Alliance Gas.

International appointments

Please fax information on new appointments and retirements to +44 171 573 3926, marked for International People. Set fax to 'Int'.

STARCH UNDER CURRENTS (on 11/10/96 over 600...)

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سوق من الامل

CURRENCIES AND MONEY

MARKETS REPORT

Iran jitters spook the markets

By Gillian Triggs... The antics of the Swiss franc continued to intrigue the markets yesterday...

These reports pushed the Swiss franc sharply higher against the US dollar in the Far Eastern markets overnight...

opposition to any further strengthening... As Mr Peter Luxton of MMS International says...

drifted down against the dollar during the day, closing at DM1.4318 in London...

The drop fuelled hopes that base rates will not rise soon - and might even be trimmed again...

However, sterling remained steady during the day. It closed at DM2.2869 and \$1.5439...

The latest trigger for a Swiss franc rally came from newspaper reports that the US government was considering taking action against Iran because of its suspected terrorist involvement...

These hopes of lower interest rates even infected sentiment about the UK yesterday, after industrial data was unexpectedly weak in June...

This fuelled hopes that German interest rates would head lower again soon. These rumours helped weaken the currency...

Official figures showed that industrial production fell by a seasonally adjusted 1.1 per cent in the month...

Table with columns: Country, Currency, Bid, Ask, Spread, etc. Includes Europe, Americas, and Pacific/Middle East/Africa.

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WORLD INTEREST RATES

Table with columns: Country, Currency, Rate, etc. Includes Belgium, France, Germany, etc.

Table with columns: Country, Currency, Rate, etc. Includes Euro Currency Interest Rates.

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Hungarian Bank for Investment and Development Ltd. U.S. \$75,000,000 Term Loan. Arrangers and Lead Managers: ABN AMRO Bank N.V., Bayerische Vereinsbank Aktiengesellschaft, Central-European International Bank Ltd.

provides cover for... alternatives

ACTIVE INDICES

COMMODITIES AND AGRICULTURE

SA platinum workers reject Impala's offer

By Mark Ashurst

The strike at South Africa's Impala Platinum mines enters its fifth day today after the rejection by the National Union of Mineworkers of a revised pay offer from the company.

The cost of the stoppage to date was estimated at R28m (US\$8.25m), equivalent to the platinum content of about 175,000 tonnes of ore. The stoppage will compound the loss of about 97,000 troy ounces of pure platinum as a result of last month's strike at Anglo's Rustenburg mine.

Violence last week claimed two lives and stalled production at Anglo's Rustenburg mine following clashes between miners and men understood to be supporters of the illegal strike, which was condemned by the NUM.

Venezuelan gold project given go-ahead

By Raymond Corlett in Caracas

Canada's Placer Dome is moving ahead with a \$600m project to develop the Las Cristinas gold mine in south-eastern Venezuela in conjunction with its partner, the state Corporación Venezolana de Guayana.

rights in Venezuela in recent years. The Canadian mining concern had repeatedly delayed its decision to go ahead with the project because of a series of government interventionist policies, including foreign exchange controls as well as an increase in sales taxes.

He added, however, that CVG and the government "were disposed to listen to proposals by legislators on the matter".

Although the authority to award mining rights recently reverted to the ministry of energy and mining, CVG maintains sufficient autonomy to enter into joint ventures with the private sector on its own behalf.

contained in the saprolite surface material and in bedrock. Revised estimates place at under \$200, net of copper credits, at an average production rate of initially 55,000 tonnes a day when bedrock is reached. About 60 per cent of total gold production will be contained in concentrate and 40 per cent in doré.

Sugar prices forecast to fall 16 per cent as world surplus grows

By Alison Maitland

The global sugar surplus will be larger than expected next year, pushing prices down by 16 per cent, the Economist Intelligence Unit forecasts in its latest report on world commodities.

It says stocks are likely to build to higher levels over the next two years than previously forecast, although they will still be lower than in the 1980s, when producers "overreacted" to prices as low as 40 cents a pound.

World wheat output is expected to exceed use by a small margin again in 1997-98, with world stocks climbing to 102m tonnes from 97m. Stocks in the five main exporting countries are forecast to recover to a safer 37m tonnes from an uncomfortably low 29m tonnes in 1996-97.

Prices should fall as supplies gradually improve, says the report, as the report says: "The supply and demand balance will remain precarious in the foreseeable future, even with no more bad news on the supply side, but the present exceptional situation can be expected to ease."

Mexican gas processor to resume production following explosion

By Leslie Crawford in Villahermosa, Mexico

Patrónes Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility that was badly damaged by an explosion last days ago.

relatively unscathed, but engineers said new pipelines had to be laid down and others re-routed to divert gas away from the complex.

Mr Adrián Lajoux, Pemex's director, said it was the costliest accident of Pemex's 55-year history.

Gas flares surrounding the Cactus complex were still burning but supplies at the plant were expected to resume production. "The volumes of imports will depend on the overall demand in the economy and the Federal Electricity Commission's ability to switch from natural gas to fuel oil at its power plants," Mr Lajoux said.

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Aluminum, Zinc, Lead, Tin, Nickel), price change, high, low, and open prices.

Precious Metals continued

Table for Gold COMEX (100 Troy oz), Silver COMEX (5000 Troy oz), and Platinum NYMEX (50 Troy oz).

GRAINS AND OIL SEEDS

Table for Wheat LCE (5000 bushels), Soybeans CBOT (5000 bushels), and Corn NYMEX (1000 barrels).

SOFTS

Table for Cocoa LCE (50000 lbs), Coffee LCE (50000 lbs), and Sugar '11' COMEX (112,000 lbs).

MEAT AND LIVESTOCK

Table for Live Cattle CME (40,000 lbs), Live Hogs CME (40,000 lbs), and Pork Bellies CME (40,000 lbs).

LONDON TRADED OPTIONS

Table for various options including Aluminum, Copper, and Nickel.

LONDON SPOT MARKETS

Table for various spot markets including Gas Oil, Brent Blend, and Natural Gas.

PRECIOUS METALS

Table for Gold, Silver, and Platinum prices.

ENERGY

Table for Crude Oil NYMEX (1000 barrels), Heating Oil NYMEX (10000 US gal), and Gas Oil LCE (50000 bushels).

UNLEADED GASOLINE

Table for Unleaded Gasoline NYMEX (42,000 US gal).

FUTURES DATA

Table for various futures contracts including Soybean Meal, Soybean Oil, and Corn.

INDICES

Table for various indices including Reuters, CRB, and GSCI.

VOLUME DATA

Table for volume data for various commodities.

CROSSWORD

Crossword puzzle grid with clues for 1 Across, 2 Down, etc.

Solution to Saturday's prize puzzle on Saturday August 17. Solution to yesterday's prize puzzle on Monday August 19.

Handwritten Arabic text: "صلى الله عليه وسلم"

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 674 1000 for more details.

T MANAGED FUNDS SERVICE

Main table containing fund names, descriptions, and prices. Includes sections for LUXEMBOURG (REGULATED), Credit Investment Funds - Credit, Merrill Lynch Asset Management - Credit, Swiss Securities, and Offshore Insurances.

Handwritten Arabic text: صولنا من الامل

صكرا من الاجل

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 177) 873 4878 for more details.

Offshore Insurances and Other Funds

Main table containing fund names, prices, and performance metrics. Includes sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

HACKETT LONDON ESSENTIAL BRITISH KIT Sale now on at 100 NEW KINGS ROAD, LONDON SW9 6JH

MANAGED FUNDS NOTES
1. The fund is managed by...
2. The fund's investment objective is...
3. The fund's investment strategy is...

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotels companies with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies (continued).

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies (continued).

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

OIL INTEGRATED

Table listing oil integrated companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

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Table listing property companies (continued).

PROPERTY

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PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

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Table listing general retailers (continued).

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

WATER

Table listing water companies (continued).

WATER

Table listing water companies (continued).

WATER

Table listing water companies (continued).

WATER

Table listing water companies (continued).

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Data, a member of the Financial Times Group.

Company share prices are based on those used for the FT-SE 100 Index.

Dividend and interest rates are shown in pence unless otherwise stated. Rates are based on the latest available information.

Market capitalization shown is calculated separately for each line of stock.

Prices are based on mid-price, are given, rounded to a dividend or interest of 0.5 pence and after for other than shares.

Estimated Net Asset Value (NAV) are shown for investment trusts. NAV is shown in pence per share.

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Rockwell supplies virtually every European car manufacturer with automotive components and systems. Rockwell logo.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie celebrates four-day winning streak

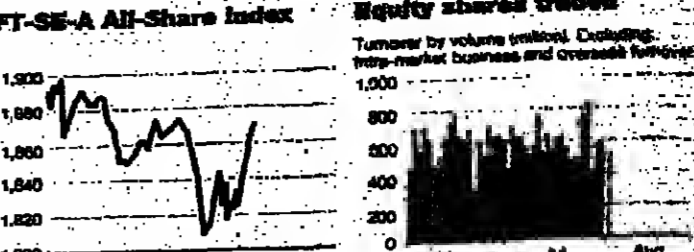
By Philip Coggan, Markets Editor
A decent set of corporate results, a continued recovery on Wall Street and some modest optimism about UK interest rates combined to send the FT-SE 100 index higher for the fourth consecutive trading session.

5pm and 6pm, a 666m share trade was reported in Just Group, an AIM stock, lifting the 6pm count for overall market volume to 1.2bn shares. However, the devil appeared to have been at work, since the Just deal, at 4 1/4, would have represented five times the company's market capitalisation at Friday's close.

Yesterday's figures helped the London market overcome the effect of a number of stocks, including BT and Scottish & Newcastle, going ex-dividend. Shares received a modest lift from Friday's close on Wall Street, where the Dow Jones Industrial Average notched up another 86 point gain.

The stock went up by a further cut in base rates. Gilts took heart from the weak data, with the 10 year benchmark issue ending the session around an eighth of a point ahead.

But other recent economic data have been quite robust and the Bank of England is expected to argue, in Wednesday's inflation report, that rates may have to rise if the government is to meet its inflation target.



Indices and ratios table showing FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, and FT-SE-A All-Share Yield with their respective values and changes.

Best performing sectors table listing Property, Insurance, Other Financial, Diversified Inds, and Building Mats with their percentage changes.

Futures and Options table for FT-SE 100 Index Futures (LFFE) and FT-SE Mid 250 Index Futures (LFFE) with open, high, low, and close prices.

FT-SE 100 Index Option (LFFE) table showing various call and put options with their prices and changes.

FT-SE 100 Index Option (LFFE) table showing different strike prices and their corresponding market data.

FT-SE 100 Index Option (LFFE) table showing data for various months and strike prices.

London Recent Issues: Equities table listing various companies like BT, BT Group, and BT Cellnet with their issue details.

FT Gold Mines Index table showing the index value and its components.

Trading Volume table listing major stocks like BT, BT Group, and BT Cellnet with their trading volumes.

London Market Data table showing various market statistics like total value, total shares, and turnover.

FT-SE Actuarial Share Indices table showing the performance of various actuarial share indices.

FT-SE Actuarial All-Share table showing the performance of the FT-SE Actuarial All-Share index.

Hourly Movements table showing the hourly price movements of various stocks.

FT-SE Actuarial 350 Industry Baskets table showing the performance of various industry baskets.

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FT-SE Actuarial 350 Industry Baskets table showing the performance of various industry baskets.

Upgrade boosts HSBC

International banking group HSBC was by far the best performing Footsie stock of the day as analysts focused on the better-than-expected interim figures.

on a combination of relief over its interim results and appreciation about a disposal. The group's shares fell back last week as a series of bear stories did the rounds.

282p. Land Securities, boosted by a £130m disposal, added 15 to 684p. Hopes for solid numbers when motor engineer GKN announces interim results tomorrow helped lift the shares 6 to 1,013p.

The City consensus is for profits in a £175m to £180m range, against £158m last time. "The numbers will be unexciting given tough trading in the automotive market, but in relation to the sector growth of 13 per cent could eventually be seen as something special", said one analyst yesterday.

to close at 231p, with volume reaching 1.8m by the close. A NatWest Securities review of the retail sector provided some optimism for the sector, with analysts forecasting that it was due a big bounce.

A busy session, in which 11m was dealt (the second highest total of the day), saw the shares rise 48 to 1184p, as analysts moved to upgrade full year profit expectations.

All of this proved unfounded as Pearson reported half time figures at the top end of market expectations and raised the dividend. The market was also cheered by the £305m disposal of Westminster Press. The shares responded by jumping 19 to 630p, though volume remained modest.

There was profit-taking at Cadbury Schweppes as talk of a takeover - with Unilever a possible predator - subsided. One analyst said that the market had caught on to the fact that there was no sign of buying, other than by the institutions.

The stock went up by a further cut in base rates. Gilts took heart from the weak data, with the 10 year benchmark issue ending the session around an eighth of a point ahead.

But other recent economic data have been quite robust and the Bank of England is expected to argue, in Wednesday's inflation report, that rates may have to rise if the government is to meet its inflation target.

Mr Robert Law at Lehman Brothers was among those cheered by the figures. He raised his profits estimate for the year from £4.15bn to £4.5bn and believes, the shares should be more highly rated based on the increased profits.

There was profit-taking at Cadbury Schweppes as talk of a takeover - with Unilever a possible predator - subsided. One analyst said that the market had caught on to the fact that there was no sign of buying, other than by the institutions.

The stock went up by a further cut in base rates. Gilts took heart from the weak data, with the 10 year benchmark issue ending the session around an eighth of a point ahead.

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Speakers include:
Mr Hugo T Dummett, Senior Vice President and Group General Manager Exploration, BHP Minerals
Mr R John Robinson, Chief Executive, Ashton Mining Limited
Mr James Pictou, Research Consultant, Standard Equities, Johannesburg
Dr John Helmer, Moscow Correspondent, Diamond International, Diamantaire and Antwerp Confidential
Dr Luc Lombouts, Managing Director, Ternaconsult bvba
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Mr R Baxter-Brown, Chairman, Redarum Limited

The organisers reserve the right to alter the programme as may be necessary.

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Registration/enquiry form for FT Diamonds - New Horizons in Mines and Markets. Includes fields for name, address, company, and contact details.

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Highs and Lows shown on a 52 week basis

WORLD STOCK MARKETS

Main table of world stock markets including sections for EUROPE (Austria, Germany, France, Italy, etc.), PACIFIC (Japan, Korea, etc.), and other regional markets. Each section lists various stocks with their current prices and 52-week high/low ranges.

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INDICES

US INDICES

Summary tables for various indices including CAC-40, Nikkei, Dow Jones, S&P 500, and regional indices like the Hang Seng and A-share indices. Includes columns for current values and percentage changes.

Table of most active stocks in Tokyo, listing stock names, trading volumes, and price changes. Includes a section for 'FREE ANNUAL REPORTS SERVICE'.

Vertical text on the left margin: 'Quality shares traded', 'Major Stocks Yesterday', 'Rising Volume', 'Options'.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

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سوق من الاموال

Continued on next page

صحة من الامم

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Spain' featuring the headline 'Have your FT hand delivered in Spain.' and text about Financial Times delivery services in various Spanish cities.

Continuation of the NYSE and NASDAQ stock price tables, including sub-sections for 'T', 'U', and 'X-Y-Z'.

AMERICA

Acquisition flurry in three sectors

Wall Street

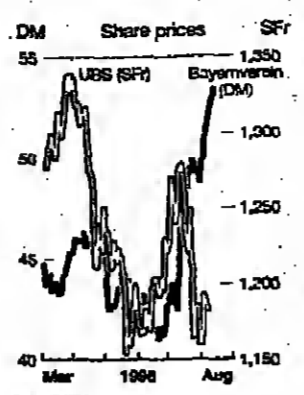
US shares drifted higher in light trading yesterday... subject of extensive consolidation.

subject of extensive consolidation. GE Capital announced an agreement to buy First Colony...

EUROPE

Banking stocks see action in D-Mark bloc

Banks saw action in the D-Mark bloc. Bayernhypo reporting in Germany, and UBS in Switzerland.



Bayernhypo posted a 22 per cent rise in first half profits... Outside the Dax, the embattled Computer 2000...

ZURICH went both ways on the UBS half-year figures... The broad market extended last week's gains...

switches from UBS to SBC, which closed SFR6.75 higher at SFR235.25...

AMSTERDAM was in a holding pattern as many investors either paused to reflect on last week's impressive 5 per cent gain...

PARIS was very much in a wait-and-see mood, with turnover down to FRF2.4bn as the CAC40 index eased 0.22 to 2,013.19.

FT-SE Americas Share Indices

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE Americas 100, FT-SE Americas 200, FT-SE Americas 300.

pointing set of figures from Nycomed, the pharmaceuticals company, as the Total index slipped 2.0 to 817.31 in turnover of NKR497m.

Nycomed lost NKR7.50 to NKR79, a 1996 low, on weaker than expected results which showed a 26 per cent fall for the first six months compared with the same period last year.

HELSINKI was helped higher by Nokia after the company announced an order from the US worth \$100m for bandsets. The company's shares rose FIM3 to FIM166.50.

The HEX index added 8.07 to 2,012.10 on turnover of FIM166.6m. Amer. the sporting goods group, dropped FIM3.60 to FIM93.40 after it said that it would restructure its Wilson division.

Mexico holds gain

Mexico City opened lower on profit-taking following a strong rally at the end of last week. By midday, however, the market had begun to recover slightly...

investors digested last week's 10 per cent rally. The Merval index was off 1.12 at 2,000.00 by midday. The Merval index jumped by 3.3 per cent on Friday...

ASIA PACIFIC

Nikkei average up 1.7% to recover 21,000 level

Tokyo

Last Friday's strength on Wall Street helped the Nikkei average recover the 21,000 level for the first time in six trading days...

cent on blue chip buying, with the SET index up 22.61 at 1,137.44 in turnover of B5.4bn.

in Tenaga Nasional, the electricity utility, due to heavy selling by institutions following a 16-hour nationwide blackout over the weekend.

in Manila, the stock market was weaker than expected, with the PSE index down 9.67 at 1,498.71; dealers blamed a delay in an IMF visit...

in Seoul, the construction sector was weakened by news that Kung Yung Construction had defaulted on Won1.9bn of promissory notes...

in Jakarta, the market was weaker than expected, with the IHSG index down 1.24 at 3,153.98 on profit-taking.

MARKETS IN PERSPECTIVE

Table showing market performance in local currency and US dollars for various regions including Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Canada, USA, Mexico, South Africa, and WORLD INDEX.

Roundup

Awaiting HSBC results after the close, HONG KONG climbed 1 per cent in spite of a heavy loss in the day. The Hang Seng index rose 109.46 to 11,071.43 in turnover of HK\$5.3bn.

in London, the FTSE 100 index rose 0.37 to 4,294.50. In steel and shipbuilders, Nippon Steel, the most active issue of the day, rose Y4 to Y364 and Ishikawajima-Harima Heavy Industries Y14 to Y337.

in the gold market, Anglo was up R1.25 at R250.25, while Rembrandt added R1.75 to R40 and Gold Fields added R5.50 at R137. Vaal Reef put on R6.50 to R377 and Western Deep Levels gained R4 to R178.

Gold lift Jo'burg

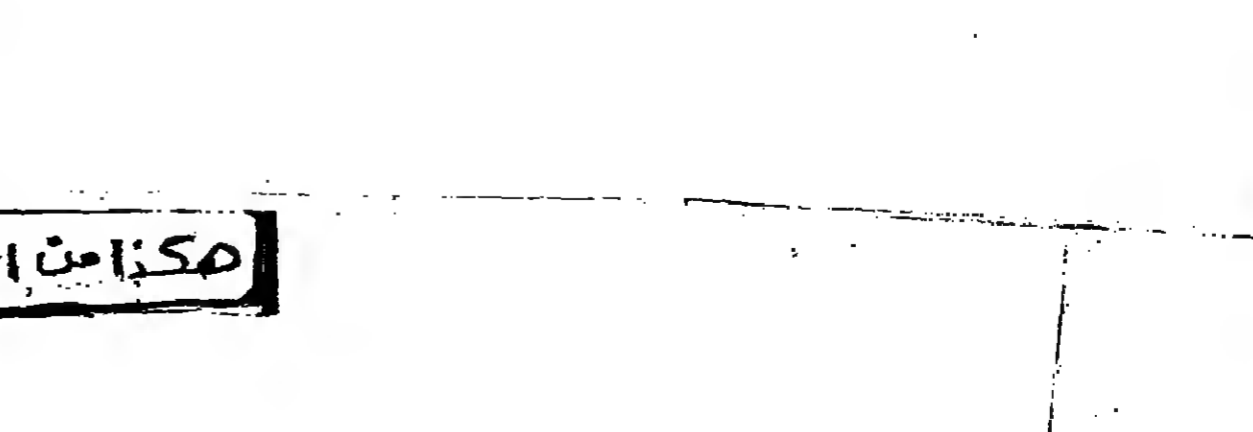
Johannesburg was propelled higher by golds as the price of bullion rose to its best level in three weeks. The overall index gained 82.9, or 1.2 per cent, to 6,776, with foreign institutions making substantial purchases.

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FT/S&P ACTUARIES WORLD INDICES

Table showing FT/S&P Actuarial World Indices for various countries and regions, including Australia, Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Japan, Korea, Malaysia, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, UK, USA, and World Index.



صحة من الامل

TECHNOLOGY

The Internet is enabling gene hunters to tap into a global database, writes Marjorie Shaffer

Genetic gold rush

Gene hunters all over the world are surfing the Internet looking for snippets of DNA that will guide them to cancer genes, infection-causing proteins and the keys to a host of genetic abnormalities.

There are now so many Web sites for genes linked to various diseases that researchers who do not learn how to surf the Net may miss out on a scientific gold rush that is transforming the way biologists do their work.

"It is such an exciting area that somebody who isn't using the Internet right now will be left behind," says Scott Kern, a researcher at Johns Hopkins University in Baltimore, who recently identified a gene that activates pancreatic cancer.

The volume of DNA sequences being dumped daily on to the Net prompts Kern to speculate that by the end of next year most newly identified genes will be cloned with the aid of these sequences.

He and many other researchers talk about doing "virtual cloning" and "armchair genetics" because they can use libraries of DNA to deduce the presence of a gene without doing much laboratory work. "It takes the drudgery out of cloning," says Kern.

It is becoming common for editors of "peer-reviewed" scientific journals to ask researchers to deposit their sequences in a database - which are accessed via the Net - before publishing their articles. The number of sequences deposited in GenBank, the repository run by the National Centre for Biotechnology Information, for example, is doubling every 12 months, says David Lipman, who heads the centre. Until 1995, the doubling time was about 21 months.

Government-funded gene data repositories have opened in Japan and Europe, and along with the GenBank, all three centres exchange newly deposited DNA sequences with one another on a daily basis. GenBank receives 30,000 requests for information via the Internet each day. Biotechnology and pharmaceu-

tical companies have also begun to realise the potential of genetic databases, and are recruiting researchers who can design computer programs to sift through the databases. "Every biotechnology company now has some kind of genome utilisation project under way," says Frank Calzone, a researcher at Amgen, the biotechnology company based in California. "We sure couldn't work without these databases," he says. A genome is the blueprint or "map" of a living thing's genetic material.

Gene hunters have already benefited from using clues from DNA sequences posted on the Net. The international group that recently discovered the breast cancer gene BRCA-2, for example, searched for the gene in the same region of chromosome 13 where one of the genes for pancreatic cancer lies. And mutations in BRCA-2 among families with a history of breast cancer were far more easily identified because groups at Washington University School of Medicine in St Louis and the Sanger Centre near Cambridge in the UK, put the entire sequence of the region containing the breast cancer gene directly on to the Net.

"The Internet is indispensable at this point," says Robert Waterston, who heads the Genome Sequencing Centre at Washington University, which is unravelling parts of the human genome and is collaborating with Sanger to unlock the genetic blueprint of the roundworm.



Raw DNA sequences are similar to hieroglyphics without the Rosetta stone; they may contain hundreds of genes but are meaningless babble until properly interpreted. Although biotechnology companies have submitted many thousands of sequences to the US Patent Office, the office has not yet ruled on whether raw

sequences can be patented. Only genes, so far, have been patented. Waterston believes that DNA sequences should be released rapidly over the Internet and made available to anyone who wants to use them. "Clearly, you need to patent at some point before drug companies will invest. But at this point, we are at this very early

A speedy researcher

"I use the Internet to log on to up-to-date databases containing three-dimensional molecular structures," he says. "Before the Internet such databases would be sent on disc or tape in the post and updated only every six months - so it took longer and cost more to access less reliable information in an industry where speed to market is vital."

The company connected to the Internet in November, using a high-speed, high-bandwidth ISDN line from UUNET Pipex, the big European Internet service provider.

Peptide hooked up to the Net because it believed this would transform its communications and information gathering in terms of speed and cost. "E-mail

is an essential tool in our industry, and many of the applications available on the Internet free and by subscription provide competitive advantage," says Ian McKendrick, the company's network manager.

Terry Hart, director of medicinal chemistry, says "tools available over the Net are saving us millions. For example,

stage and there is such a wealth of information in these sequences that it is inappropriate and counterproductive to lock it up in the hands of a few companies.

"We are generating about 1m to 2m base pairs a month and we submit [the data] over the Internet to an inspect," says Waterston. (Base pairs are the building blocks of DNA.)

Under an agreement with Merck, the big US drug company, the Washington University group is also deciphering random bits of genetic information culled from human tissues such as the brain, liver and spleen and is seeding its results immediately to GenBank. Merck is collating the information for its Gene Index, another public database.

The Merck agreement has partly closed the information gap between sequencing companies such as Human Genome Sciences in Maryland and publicly available databases such as GenBank, according to Kern. "I think that Merck really levelled the playing field for everybody. The genomic data being compiled by companies is increasingly worthless because much of that work has been copied by others and is available publicly," he says.

On the other hand, outsiders do not know exactly what sequences companies do have. Meanwhile, pharmaceutical and biotechnology companies are combing through the genetic maps of infectious organisms hoping to find new targets for vaccines and medicines. And there have already been cases where researchers have not put sequences into public databases until patents were filed.

But at this point, Waterston argues that it will take many years for companies to produce medicines based on genome sequencing. "People talk about the rapid release of sequences as a danger to the biotech industry," he said. "I think it is just the opposite. If you don't have the sequences out there for everybody to see, the chances for discoveries to benefit human health will go way down."

Scifinder, which searches for information on the Internet and costs just \$15 (\$11.50), can quickly access all the information published in the Chemical Abstracts Database over the last 30 years at the cost of a local phone call.

The company has also established an Intranet - which has allowed full sharing of information internally, says Peter Laing, director of research.

Joint venture for knees

Andrew Baxter on a new design of brace for sports players

With the Olympics over, US sports fans are turning their attentions to American football. The players will be looking forward to a new season too, but will also be wondering whether they will get through it without injury.

In football, ice hockey and many other contact sports, the knee joint is one of the body parts most at risk. It has a large range of movement, but its stability depends on ligaments which can be damaged by side impact, forced movement of one bone relative to the other, or lateral twisting of the lower leg.

Hundreds of different types of sporting knee braces are available, from elastic sleeves that offer some stabilisation to larger medical-type braces with metal bars down both sides and straps.

The problem for designers, however, is that the knee has no single pivot or hinge because of its rolling action. A knee brace that imposes its own centre of rotation could restrict a player's action or begin to move about on the leg.

Today, at the ISPO sports equipment exhibition in Munich, Kelvio Doyle, a UK physics graduate and entrepreneur, is due to unveil the Panther Knee Protector, which he believes to be a cost-efficient and effective solution to the design problem. Several sports injury experts and academics who have seen the prototype agree.

The key to the design is an arrangement of three separate hinges which ensure that the brace does not impose its own pivot on the knee. A sliding bearing allows the lower section to rotate, while a rigid strap round the back of the upper section keeps the brace firmly in place.

Collectively, these elements make the design unique, says Doyle, and give protection from injury without compromising the user's mobility - the knee brace will weigh only between 7oz and 10oz.

This is crucial to the prod-



Panther: image-conscious appeal

uct's commercial future, as sales will be much higher if the product is used widely as a preventative brace rather than one that is applied only after an injury. For this reason, the Panther has to appeal to image-conscious sporting types and not look too "medical".

Since 1994, Doyle has been working closely with Mike Dewar, senior research fellow at University College London, who has been supervising prototype development. The brace has been undergoing field trials in Europe and, from September, two unnamed National Football League and National Hockey League teams in the US will be trying it.

The knee brace will be made of carbon-fibre or less expensive reinforced plastic, and come with or without a kneecap cover. Prices will range from \$250 to \$750, although bespoke versions will be more expensive.

Manufacturing is due to begin this autumn, says Doyle, with assembly by his own company, Doyle Manufacturing Corporation, from parts made by subcontractors. A non-exclusive deal is being arranged for Vulkan, a Swedish manufacturer of flexible knee braces, to distribute the Panther worldwide, outside the US.

Access to online databases has revolutionised the speed and effectiveness of research at Peptide Therapeutics, the Cambridge-based company which aims to identify therapies for common diseases such as asthma, arthritis and meningitis. Richard Scott, whose work involves experimenting with models of molecules to manipulate their structure, reckons his time to be about 20 times more effective with the Net.

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Additional information: Tel: (021) 534-2618 or 534-1383. PETROLEO BRASILEIRO S.A. - PETROBRAS Gerencia Geral de Logistica (GELOG) (Logistics General Management) Superintendencia Executiva de Exploracao e Producao (E&P) Av. Republica do Chile, 65 - 11th floor - office 1101 Rio de Janeiro/RJ - Brazil - CEP 20035-900 Telex: (021) 23335 - Fax (021) 534-3689

INVITATION 1. Ministry of Defence of Albania Republic will organise the open tender for procurement of military marks, distinctive and rank insignia. The total value of procurement is 100,000 USD. 2. In this tender are invited all bidders who will have interest to participate in it.

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All bids must be for 51% of the shares of the Company and are due no later than 26 September, 1996.

صديقا من الاعمال

ARTS

Summer Music in America: Tanglewood

Nostalgia for 'Peter Grimes'

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The Tanglewood theatre has had a higher public profile since the inauguration two years ago of Seiji Ozawa Hall. A 1,180-seat showcase for student concerts, masterclasses and recitals.

In its early years, Tanglewood's opera course was the only one of its kind in the US, its alumni including Leontyne Price, Shirley Verrett and Sherrill Milnes. When Erich Leinsdorf closed it in the early 1960s, to concentrate resources on other student programmes...

is the one area where he continues to grow; as a conductor, running against these arguments is the fear that opera might change the character of Tanglewood and swallow too much money.

Insight into character and drama. The decor - a stone facade for the indoor scenes, a pier-platform for outdoors - provided a versatile setting, but lighting and costumes were unimaginative. The chorus did little but stand, sing and spectate, and Grimes was portrayed as a violent misfit...

Andrew Clark

Theatre/Ian Shuttleworth

Hedda stays ahead of pack

Alexandra Gilbreath's performance in the title role of Ibsen's play Hedda Gabler has been feted long before the production's arrival in London. Hers is a very different Hedda from the norm...

than usual. Crispin Letts invests Jorgen Tesman with more backbone than the normal characterisation as a clownish swot. His dedication to his aunts (Ann Firbank giving a fine, perfectly neutral performance as Aunt Julia) is a matter of familial duty rather than apron-string devotion.

All of which said, Unwin's production does not quite spark. Gilbreath's characterisation, although brilliant, leaves faint credibility gaps when she begins to envisage vine leaves in Lovborg's hair and when events overtake her in the final act...

Jonathan Phillips is a little too self-conscious to be as dashing as Lovborg is required to be, and David Killick as Judge Brack, while skilfully matching Hedda's urbanity throughout, underplays the final movement in which she finds herself entrapped in his silken web.

At the Donmar Warehouse, London EC2, until August 31 (0171-867 1150).



Cool reserve: Alexandra Gilbreath in 'Hedda Gabler'

Sponsorship

Inner-cities gain funds

Lottery funding seems to extend its influence by the day. Two weeks ago prime minister John Major threw millions of pounds the way of sports training, and last week heritage secretary Virginia Bottomley said it was lottery money that would technologically transform the UK's museums.

Among the awards distributed yesterday with great potential was the £30,000 to the LSO to undertake a feasibility study to convert St Luke's Church, close to its Barbican headquarters, into an education centre.

Antony Thorncroft

Theatre/David Benedict

A balloon full of wonder

Albert Lamorisse's poignant, virtually wordless 1956 film about a lonely young boy trailing after a balloon through the Paris streets is one of the great cinematic shorts. The version went through 42 drafts. Anthony Clark and composer Mark Vibran's musical version is now in its fourth incarnation after stagings in Manchester, Bristol and Birmingham.

Paradise into a play or crushing the comic genius of Some Like It Hot into a Tommy Steele musical reveals a disregard for laws about form and content. "If it ain't broke, don't fix it" is a more than useful rule of thumb.

Clark refuses to shy away from the melancholic mood and his cast eschew the patronising tone which can afflict children's theatre. Excluding giggles of surprise and delight at Pascal's stray

voice. Vibran's evocative music, scored for woodwind, horn, keyboards and percussion is largely responsible for the show's spellbinding, mysterious tone.

Whether it's the embodiment of an imaginary friend, a symbol of innocence, experience or even death, the balloon's significance is never explained, which is the reason for its overwhelming resonance.

At the National Theatre (0171-928 2252).

INTERNATIONAL ARTS GUIDE

- AMSTERDAM EXHIBITION Stedelijk Museum Tel: 31-20-5732911 ● Cobra en het Stedelijk: exhibition of paintings and sculptures from the museum's collection by participants of the international art group CoBRA...

- BREGENZ CONCERT Brengener Festspiele - Festspiel und Kongresshaus Tel: 43-5574-4920 ● Nacht by Haas. Concert performance by the Klangforum Wien with conductor Peter Rundel...

- ESSEN EXHIBITION Museum Folkwang Tel: 49-201-8845314 ● Pedro Cabrita Reis. Installationen und Zeichnungen: exhibition of works by the Portuguese artist Pedro Cabrita Reis...

- LOS ANGELES EXHIBITION Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100 ● Landmark in Printing: Collecting Masterpieces from the British Museum...

- PARIS EXHIBITION ● Centre Georges Pompidou Tel: 33-1-44 78 12 33 ● Gastano Pescarec: a retrospective exhibition devoted to this artist, featuring furniture, objects and architectural projects...

- VIENNA EXHIBITION Museum für Angewandte Kunst Tel: 43-1-711199 ● Light Materials. Textiles from the Biedermeier Period 1800-1850: exhibition featuring Biedermeier textiles from the holdings of the Museum für Angewandte Kunst...

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Victim of a mass odyssey

ON THE BEATEN TRACK

Mykonos is still the most popular Aegean island, thanks to its turquoise sea, distinctive whitewashed architecture and uninhibited nightlife. But the race back from the beach to watch the sunset from a bar or hotel balcony dispels its image as a place for lotus-eating.

At 7pm on a summer evening, the rush hour outside Mykonos town would be familiar to any city-dweller. The streets are jammed with shiny four-wheel drive vehicles and motorcycles, jostling their way past a fleet of elderly buses disgorging holidaymakers after a day of sunbathing.

Each year, the island's 7,000 residents are hosts to some 800,000 visitors; on most days in July and August more than 40,000 people are crammed into hotels and rented rooms. Several thousand additional tourists land daily from cruise ships. Most visitors are foreigners, but many Athenians also come to enjoy what they claim is Greece's only sophisticated resort.

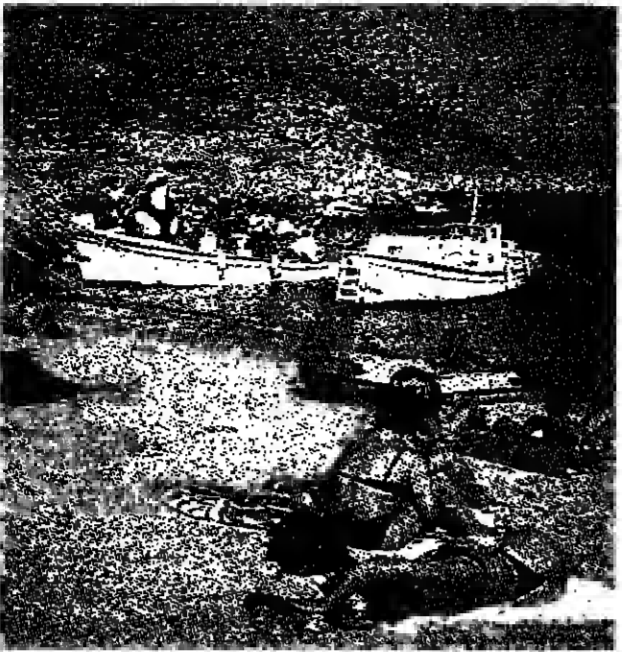
"We have a short tourist season," says Mr Andreas Fiorentinos, deputy mayor. "So everyone working here has to make their yearly income in the space of about four months."

But the influx brings the island's slender resources close to breaking point. Power blackouts are frequent and the island suffers from a water shortage, with some hotels relying on supplies delivered by a tanker truck. Despite round-the-clock efforts to keep the town free of rubbish, many whitewashed alleys are grimy and littered with discarded beer cans.

"The season can't be extended even by a few weeks until we get the proper infrastructure," says Mr Fiorentinos. "What there is dates mainly from the 1950s."

The town council has pledged to make Mykonos a model of tourist development with the help of

Kerin Hope on the divisions over developing Mykonos, an island at breaking point



Washed up: SuperParadise beach used to be remote

Dr9.5bn (\$26m) in grants from the European Union. The EU provided money for two projects already completed: a digital telephone network and a sewage plant, one of only a handful of treatment facilities on Aegean islands.

However, some year-round residents and visitors who discovered Mykonos as a jet-setters' haunt 25 years ago have objected. They argue that not only will the projects - including improved port and airport facilities and new roads - bring a substantial rise in visitors, they will make Mykonos indistinguishable from other Mediterranean resorts.

Mr Vangelis Pelekis, a teacher campaigning against the council's plans, says: "The things that make Mykonos special are already being eroded. Even the nudist beaches have umbrellas and loungers and there are more fast-food joints than tavernas. The new plans are on such a big scale that if they go ahead, this island will become as crowded and character-

less as the Spanish Coastas." Mykonos once claimed a place in modern mythology as the island where Aristotle Onassis courted Jackie Kennedy, Yebudi Menuhin played the violin to friends on the terrace of his villa and several members of the Rolling Stones joined the nudists on a remote beach known as SuperParadise.

Mr Don Morgan, a New Yorker and regular visitor since his backpacking days in the 1970s, says: "The celebrities moved out as the package tourists moved in and made the place tacky. There's still enough of the old Mykonos to keep you coming back, but I can't say for how much longer."

The airport runway has already been extended to take scheduled flights from European cities and a new terminal is planned. A second port - deep enough for cruise ships to dock - is under construction. It will be linked with a group of beach hotels by a new road bypassing the town centre.

Tourism has certainly made the islanders wealthy;

they claim to have the highest per capita income in Greece. Mykonos's annual foreign exchange earnings from tourism are estimated at about \$800m. The average income on Mykonos is estimated at more than \$50,000 a year compared with just over \$10,000 for Greece as a whole. Moreover, tighter building restrictions than elsewhere in the Aegean have pushed up property prices to levels comparable with Mayfair or Manhattan.

And in spite of high land prices, a building boom is under way, with new houses going up all over Mykonos. Most are financed out of income from Greece's flourishing underground economy, the islanders say. For a Greek doctor or lawyer, having a home there is indisputable proof of success.

The town council claims that better infrastructure is crucial if Mykonos is to keep its share of Greece's tourism market at a time when the number of visitors to the country is falling and tourists are complaining about inefficient airports and poor environmental controls.

But the islanders remain divided over how much development Mykonos needs - or can endure. The sharpest arguments concern a plan for a 200-berth marina costing Dr1.9bn. Because demand for yacht berths in the eastern Mediterranean far outstrips supply, Greece's tourism authorities are encouraging private investors to build large marinas. But construction of a marina on Mykonos has been postponed because so many residents objected to the proposed site, a sheltered cove close to the town with a spectacular view of neighbouring islands.

Mr Nicos Palaiologos, a Mykonian who spends six months a year on the island, sums up the dissidents' view: "It comes down to a question of greed. We're threatened with the destruction of a uniquely beautiful piece of Aegean landscape so that the Mykonians can go on making more money."

This is the second in a series on places changed by mass tourism

Letters to the Editor

Number One Southwark Bridge, London SE1 9HL

Cultural questions are begged by trends in US education

From Mr Robert Oakshott.

Sir, The evidence about comparative graduation results cited from Sol Stern's *The Inevitable Miracle of Catholic Schools* by Michael Prouse ("Liberating schools", July 29) is truly stunning. It surely calls out for the widest circulation and systematic further research. We need to know how far the relative numbers in New York City - the 95 per cent graduation rate in the Catholic schools versus the 25 per cent in the public sector schools - are typical of those elsewhere in the US or reflect conditions more or less specific to Manhattan.

We also need to inquire what part of the difference in those New York results may be attributed to differences in what goes on in classrooms - including differences between teachers - and what part to factors outside the school gates, above all to the quality of home life and of parental attention. According to a crude rule of thumb that has received some currency in recent years, if genetic inheritance is held constant, then parenting may be expected to account on average for 50 per cent of any difference in school scores with the balance being dependent on in-school factors.

I simply don't know the empirical basis of that rule of thumb. Very likely the two percentage numbers could be successfully challenged. But we can surely accept the enormous importance of the quality of parenting and the home environment. The latter will surely have a different effect on the young depending on whether its culture is dominated by the Murdoch tabloids or the literature of the western Christian tradition. You don't have to be a paid up member of the Lord's Day Observance Society to accept the likelihood of that.

Robert Oakshott, Job Ownership, Abford House, 15 Wilton Road, London SW1V 1LT, UK

Vote carries obligation

From Mr Martin Young.

Sir, Elections are due to take place in Bosnia this coming September. All Bosnians aged 18 or over, and who are listed in the 1991 census, are eligible to vote. Many Bosnians have fled their homeland and now live safely in the west. Many have lost everything in Bosnia and have begun to make new lives in Britain and elsewhere.

Those Bosnians who believe they can never return home, or who simply do not wish to return to a war-devastated country, must not vote in the forthcoming Bosnian elections.

The agreement on elections in the Dayton Agreement states that "the exercise of a refugee's right to vote shall be interpreted as confirmation of his or her intention to return to Bosnia and Herzegovina" (Article IV).

Bosnian asylum seekers who vote in Bosnian elections can expect a quick return flight to Sarajevo.

Martin Young, 5 Silver Crescent, London W4 5SF, UK

Risk of firearms errors being repeated

From Mr David T. Frost.

Sir, Calling for a ban on handguns and further controls on shotguns prior to the report of Lord Cullen's inquiry risks the same errors as occurred after Hungerford ("Ban handguns", August 1). Then there was no inquiry and in consequence the legislation passed in 1998 was both inappropriate and ineffective. Furthermore, implementation of the legislation by the police has shown significant shortcomings. In 1998 the report into the administration of firearms licensing by HM Inspector of Constabulary said some procedures "border on the discriminatory" and that the service being provided "varied between excellent and very inefficient". The evidence given to Lord Cullen suggests there were major shortcomings in central Scotland police procedures and that the Dunblane killer, Thomas Hamilton, was unfit to own firearms. A centralised and civilised Firearms Licensing Authority would do much to improve matters.

Firearms legislation in the UK is already much stricter than in most other democracies and with minor changes and proper application should be adequate to the task.

David T. Frost, 4 Cherrycroft Drive, Naphill, High Wycombe, UK

Ignorance

From Mr Gregor Ritchie.

Sir, I am grateful for the illumination provided by Iain Smith (Letters, July 31) as a rugby fan and also an Englishman. I am aware of the sometimes embarrassing high-handedness of the Rugby Football Union administrators. I am also aware that some people are arrogant and others are not. What in my ignorance I had not yet learned was that not only are the "English" (in which nation I must include myself) arrogant, but also ignorant of the fact. Years ago I played at a modest club level with Scots against Scots and once for a Scots side, but none of them ever proffered such illumination.

I will add this to my Book of Certain Knowledge to join such items as: the French are snave and eat garlic, Germans are always first at the pool-side, Scots have red hair and kilts, and the Welsh are born singing.

Gregor Ritchie, The Beeches, Dr Crouch's Road, Eastcombe, Glos., UK

Untenable position for manipulators

From Mr Christopher Gilbert.

Sir, Nymex President Patrick Thompson (Letters, July 30), raises important issues in relation to the regulatory regime under which the London Metal Exchange operates. He complains about the LME's clearing system, but because of the peculiar features of that system, the LME is the most heavily regulated of the London futures markets.

So it is difficult to argue that the LME is under-regulated without implying a need for additional regulation throughout London.

A widely recognised problem is that cash market transactions on recognised futures exchanges remain unregulated. It is now clear that Mr Yasuo Hamanaka's copper trades were not the actions of an uncontrolled rogue trader but a deliberate and sustained market manipulation.

Since a manipulator operates on both the cash and futures markets, it is important to extend regulation to cash market transactions. More generally, the 1986 Financial Services Act, which was pre-occupied by investor protection issues, failed explicitly to anticipate futures manipulation. As a consequence, regulation in the UK gives this a considerably lower priority than in the US. It is not even clear that futures manipulation is illegal in London.

However, individuals, often outside either UK or US jurisdiction, will always be tempted to manipulate prices to their advantage, and the issue is thus how exchanges may be assisted in their obligation to avoid false prices.

The most important change that the regulatory authorities could impose in London is position reporting. Reporting alerts the exchange, the regulators and other investors to the build-up of positions which have manipulatory potential. Publication of aggregated position reports allows journalists to comment directly on facts rather than circumspectly on rumours. Lack of reporting gives London an apparent competitive advantage over US markets, but only at the cost of manipulations which undermine this advantage.

The need for reporting should have been learnt after the 1985 tin collapse. The Securities and Investments Board should take this opportunity to make this a requirement of recognised futures exchanges.

Christopher Gilbert, professor of applied economics, Queen Mary and Westfield College (University of London), Mile End Road, London E1 4NS, UK

Judy Dempsey on German anger at Britain and Brussels

The bitter legacy of BSE

Mr Heinz Deselaer has had a miserable six months. The 57-year-old beef farmer from Geldern, in Germany's Rhineland, was all set to reap the benefits of a new cattle shed. He had intended to increase his herd and was expecting his beef sales, which amounted to DM1.2m in 1995, to rise sharply this year.

"But then came the BSE crisis," says Mr Deselaer, who has 350 bullocks on his 50-hectare farm. "It has been catastrophic. Prices have fallen from about DM6 a kilogram to DM4.80 (£2.10). And there are few signs of consumer confidence picking up."

Consumer confidence suffered a further blow yesterday when the German government said it would ask the European Commission's scientific veterinary committee to "review" its measures for combating bovine spongiform encephalopathy (BSE), or mad cow disease. This followed the report by British scientists disclosed last week, which showed that BSE can be transmitted from cows to their calves.

Since the EU ban on British beef exports was imposed in March - when Britain announced there was a probable link between BSE and Creutzfeldt-Jakob Disease, the fatal human brain condition - German beef sales have fallen about one third compared with last year. And according to Germany's farmers' federation, beef farmers are receiving between DM200 and DM300 less for each animal sent to slaughter.

This sudden decline occurred in spite of the fact that Germany was one of the earliest EU importers of UK beef before the ban. Last year it imported a mere 200 tonnes worth £200,000, out of total UK exports to the EU of 191,000 tonnes worth \$457m.

Increased prosperity and the rise of environmental activism have made Ger-

when he said last Friday that the EU had "missed and covered up" about BSE. He added that his members would lose DM600m this year in sales. That same day, farmers from the north German state of Schleswig-Holstein turned the Union Flag in protest against the EU's plans to ease the world-wide ban on British beef exports. The farmers' view is that consumer confidence will never pick up if there is the slightest risk to the public's health.

This opposition from the Lander and the farmers' associations has created a dilemma for the German government. It will find it difficult to implement the Brussels ruling to ease the ban on some British beef exports because the Lander can block these measures through the Bundesrat, the upper house of the German parliament where the opposition Social Democrats are in the majority.

Government officials also fear that even if other EU states support Germany's call for a scientific review of measures taken so far by Brussels to combat BSE, Britain will revert to its policy of obstructionism. "The last thing we want is London blocking important decisions in the coming months," one senior government official said.

This leaves the German government with few options. It could, as German farmers are demanding, agree on compensation for beef farmers that could mute their opposition to Bonn and Brussels.

But as Mr Borchert himself admitted yesterday, compensation itself is not a recipe for restoring consumer confidence. "Trust is the key thing," said Mr Borchert. He realises that wooing back the health-conscious German shopper to beefsteaks will take more than a scientific review in Brussels.

Ms Höhn's criticism of Brussels is echoed by the other states, as well as Germany's regional farmers' associations. Mr Gerd Sonnenleitner, president of the Bavarian farmers' federation, spoke for many farmers

"If the disease can be transmitted from generation to generation then semen is suspect again. We should seriously consider if we should not restore the stricter import ban that used to apply, or whether we should not extend it to milk products," added Ms Höhn.

Ms Höhn's criticism of Brussels is echoed by the other states, as well as Germany's regional farmers' associations. Mr Gerd Sonnenleitner, president of the Bavarian farmers' federation, spoke for many farmers

The German farmers' view is that consumer confidence will never pick up if there is the slightest risk to the public's health

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صبرنا من الامل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL. Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday August 6 1996

Doleful plan for US taxes

Years ago, the then Senator Bob Dole used to joke about a bus full of supply-siders driving over a cliff. That's the good news, he would say - the bad news is that there were two empty seats. These days you would be forgiven for thinking that one of the empty seats belonged to Mr Dole himself. The economic plan he unveiled yesterday, trumpeted as a programme for revitalising the US economy, is less ambitious than the disastrous supply-side experiments of the 1980s. Yet by endorsing the same logic - that one should "reduce taxes first, ask questions later" - the Republican presidential candidate has further dented his reputation for fiscal probity in the interests of reviving his campaign. He may yet come to wonder whether it was worth it. Mr Dole promised a package of tax cuts costing \$548bn over six years. There is something of a phoney 15 per cent across-the-board cut in marginal personal tax rates, a halving of the capital gains tax, and the much-touted \$500-per-child "family" tax credit. But he gave only a very rough idea of how these cuts could be made consistent with a pledge to balance the federal budget by 2002. The costing of the programme rests on three very shaky assumptions. First, that faster economic growth and reduced tax evasion will between them net an extra \$147bn in revenues over the period. Second, that President Dole and his fellow Republicans in Congress can come up with detailed proposals to match the vague promise of medium-term cuts in public spending, contained in the recent budget resolution. Third, that all this can be achieved without touching social security, Medicare and defence, which, together with interest payments, make up two-thirds of federal spending. In Mr Dole's defence it should be said that his assumptions are no rosier than many of past campaigns, by both parties. President Bill Clinton has himself promised both a balanced budget and sizeable tax cuts, including the child tax credit which Mr Dole has now endorsed. Mr Dole's cuts are larger, and will be much more regressive in their effects than Mr Clinton's because they include a capital gains tax cut and they award the same percentage cut in marginal rates to all taxpayers. But both plans contain the same fiction, that the federal budget can be effectively overhauled - whether for "Republican" or "Democrat" reasons - without long-term reform of social security or Medicare. For his part Mr Dole is even promising to repeal Mr Clinton's very modest attempt at social security reform in his 1993 budget. For all his economic good fortune and commanding lead in the polls, Mr Clinton has been strikingly reluctant to challenge the standard US political orthodoxies during the campaign. It is perhaps not surprising that Mr Dole, lagging far behind in the polls, should be equally timid. But, come November, it may be hard for voters to see why they should favour the wisdom of age and experience over the hot-headedness of youth.

Famine of digits

Telephone numbers sounded like old friends in the days when detectives at country house murders would say: "Operator, get me Farnbridge 2323." But country exchanges have long since been swallowed up in a blitz of digits. Digits proliferated as automatic exchanges and computers drove down costs, creating an explosion of demand for more telephones, more services and now for mobile phones. As a result the UK is running out of telephone numbers. To remedy this, all UK numbers were changed on "Phone Day" in 1995 by the addition of an extra digit. Little more than a year later, Ofcom, the telecommunications regulator, is proposing another complete set of number changes to exploit this digit. Customers, who will be required to change their lists, databases and stationary a second time, may justifiably ask why most of the important changes were not made in one step. One answer is that when British Telecom was privatised, the government wrongly left it with the responsibility to allocate numbers. Only in 1994 did Ofcom rescue the arcane science of numbering from specialist engineers and subject it to the tests of consumer interests. Its proposals, published yesterday, promise a much more orderly system in which different kinds of service will be readily identifiable and dialling codes can apply to much wider areas. This will, for example, allow London to be reunited under an 02 code after the division, six years ago into inner (071) and outer (081) parts. This was unpopular at the time. Now it appears unnecessary. Better planning could have saved the consumer such grief.

Bosnia's test

As prospects for peace between Croats and Muslims in Mostar hang in the balance, much more is at stake than the future of one battered Balkan town. The behaviour of Mostar's hard-line Croat nationalists, who have balked at accepting the result of municipal elections which gave their Muslim adversaries a majority, is a deadly threat to the reconciliation process in Bosnia as a whole. If they are allowed to consolidate their control of the city's western half, all participants in next month's Bosnia-wide election will be encouraged to think they can ignore results that do not suit them. Mostar is also a test case for the external policies of the European Union. The oversight of the city's administration and policing has since 1994 been much the most ambitious task undertaken by the EU's embryonic common foreign and security policy. But the city's fate should not now be seen as a matter of shoring up EU prestige; still less should it become an object of US-European rivalry. On the contrary; a renewed Croat-Muslim conflict in Mostar can be staved off only if the US and its European allies co-operate energetically and in good faith. The US has been more engaged than any of its allies in providing strategic and military advice to both Bosnia and Croatia. This gives it considerable leverage over Croat-Muslim relations. In particular, it must lean hard on Croatia's President Franjo Tudjman - whose high-handed behaviour has often met a lenient response in Washington.

Hot new product goes cold

The consumer electronics industry needs a boost from digital video discs but the launch has been dogged by disputes, says Alice Rawsthorn

DVD: a script for the future

Launches of new consumer electronics products are often problematic: the video recorder's debut triggered a war over rival technologies; and sales of highly publicised innovations such as digital audio tape and digital compact cassettes have been disappointing. Digital video disc (DVD) was supposed to be different. Claiming to have learnt from their mistakes, the world's consumer electronics companies were determined to orchestrate a smooth launch for the discs, which look like audio CDs but can be used for storing data or playing films and music. Yet only a few weeks before the scheduled debut of the first DVD entertainment systems in September, the plans for DVD are in tatters. The electronics industry is still struggling to clinch an agreement on copyright protection with the film and computing sectors. Last week Sony and Philips clashed openly with rival manufacturers over the licensing arrangements for the new technology. "It's a mess," admits one senior electronics executive. "There's no point in us bringing out hardware, unless there's software for consumers to buy, but we don't know when that'll happen. And if over there was a time when the industry needed a hot new product - it's now." The final point is indisputable. Consumer electronics has historically been a cyclical industry and is now in a sluggish phase. Sales of the video recorders and audio CDs that drove its growth in the 1980s have reached maturity. Manufacturers have diversified into computer components, such as CD-ROM drives and PC screens, and developed some successful new products, notably widescreen televisions and digital camcorders. Despite these innovations, personal computers and video games have taken a progressively higher share of household expenditure. And the companies that have dominated consumer electronics since the 1950s - Matsushita, Sony and Toshiba of Japan, France's Thomson and Philips of the Netherlands - face fierce competition from new rivals in emerging Asian economies. These groups, such as Samsung and LG of South Korea, are driving down prices widely and making it difficult for established manufacturers to move into fast-growing south-east Asian markets. Mr Yoshiharu Izumi, electronics analyst at UBS Securities in Tokyo, says the industry badly needs "a successful new product" to unlock the vicious cycle of "competing for market share solely on price". Digital video disc promises to be such a product, and electronics manufacturers invested heavily in its development during the early 1990s. One version of the disc will be used in DVD entertainment systems, which will work like highly sophisticated VCRs with superior sound, picture quality and facilities such as foreign language soundtracks. The electronics industry hopes these systems will have the same catalytic effect on the video market as audio CD did on hi-fi equipment sales in the 1980s. The second version of the disc is DVD-Rom, which harnesses its memory capacity for data stor-



age. DVD-Rom is not only expected to create a lucrative source of sales but should also help electronics manufacturers forge a closer rapport with the dynamic computing sector, as Sony has done with its highly successful PlayStation video game system. However, the high hopes for DVD were jarred by an embarrassing row last summer when Sony and Philips clashed with the rest of the industry over technical specifications. At stake was corporate pride and the royalties payable to the owners of the patented technology. Sony and Philips are believed jointly to earn \$500m (£322.6m) a year from audio CD patents. This time they were forced to back down and accept a disc dominated by Toshiba technology as the industry standard rather than risk a repetition of the VCR battle when Sony fought unsuccessfully to establish Betamax as the standard against Matsushita's VHS system. But the row still pushed back DVD's debut by three months to September this year. The delay was inconvenient, as electronics companies prefer to introduce new products before the final quarter of the year, by far the busiest period, accounting for 40 per cent of retail sales. However, they still had enough time to get DVD into the shops before Christmas. Toshiba, Matsushita and Thomson pressed ahead with plans to launch the first DVD entertainment systems in September, with DVD-Rom scheduled to emerge early next year. Other companies, including Sony and Philips, planned their launches a few months later. Despite the delay, the sales forecasts for DVD remained optimistic. IZUMI Securities in Tokyo predicted hardware and software sales of ¥155bn (£24.5m) this year, rising to ¥2,025bn by 2000, when 30,000 DVD-Rom units and 20,000 DVD entertainment systems would be sold. But the electronics industry had yet to finalise negotiations with the US movie studios over copyright protection. The early signals were encouraging, not least because Hollywood was convinced that DVD was so superior to video cassettes that consumers would be tempted to buy favourite films on the new discs, rather than renting them on video. Hence the studios could replace their low margin video rental business with a profitable new software market. But Hollywood also had serious concerns, specifically about the advanced DVD entertainment systems due to go on sale in 1998 with a recording facility. This raised the threat of pirates running off thousands of near-perfect digital copies of television broadcasts and illegally procured films. The studios were determined to take a tough stance and by

March this year the electronics industry, still anxious to meet its September release schedule, had agreed to various concessions, notably that different formats of the disc should be sold in various parts of the world. The electronics and entertainment camps then ran into vehement opposition from the computer industry, which was simultaneously negotiating over DVD-Rom. If these computer discs are to be successful, they will need a flexible copying facility, something that Hollywood is unwilling to sanction for fear that it could be abused by film pirates. The three camps have been locked in negotiations for months, but have so far failed to resolve the conflicting requirements of DVD and DVD-Rom. The electronics industry unveiled another compromise proposal late last month and is awaiting a response. Matsushita, Thomson and Toshiba all hope to introduce DVD entertainment systems before the end of the year, although they accept that a September debut is now impossible. In theory they could introduce DVD without a copyright agreement on a limited range of software, but a "breakaway" launch might anger other manufacturers and imperil DVD's long-term prospects. "The success of the product would be more at risk if the three industries do not take the time to thoroughly resolve their differences," warns Mr Izumi of UBS.

The electronics industry's preferred scenario is that it secures the agreement of the entertainment and computing factions and proceeds towards an orderly launch. The chances of this were not improved by last week's news that Sony and Philips were breaking ranks by licensing their patents independently. This has infuriated the rest of the industry, which favours a collective licensing process. Assuming that a compromise can be agreed on copyright protection, it should be possible to ship DVD hardware into stores fairly swiftly. Most manufacturers are already geared up to start production. But it may take longer for the Hollywood studios to deliver the software, as they are less well-prepared. If the copyright discussions drag on much longer, it may prove impossible to introduce DVD before Christmas. Manufacturers would face a difficult choice between launching in the less buoyant spring period, or delaying DVD's debut for another year to hit the final quarter of 1997. There are no other new electronics products in the pipeline with such strong sales potential as DVD entertainment systems. And a lengthy delay could damage the DVD-Rom's prospects. A consortium led by Japan's Fujitsu (including Sony and Philips) is now finalising plans to introduce a more expensive computer disc with twice as much memory capacity late next year. To make matters worse, when the electronics companies have resolved the DVD copyright problem, they will face another battle over the same issue once they start talks with the music industry over the launch of the audio version of digital disc.

OBSERVER

Duff notes at the opera

The best symphony orchestra in the world? Possibly. But the Vienna Philharmonic wins no prizes on the political correctness score. For 150 years, the Vienna Phil has refused to allow women into its ranks. It shows no sign of backing. Last week, Rudolf Scholten, the Austrian minister for transportation and the arts, threatened to cancel the orchestra's public subsidies if it did not open up to female musicians. The orchestra immediately bit back in anger against the "blackmailing". If the state forced them to take in women, the artistic standards of the orchestra, say Austria's cultural secretary, would be under threat. So what exactly have they got against the distaff side? Well, women on tour would distract the men and would cause "friction". They claim. Male musicians would feel obliged to carry heavy instruments for their female colleagues, for instance. The orchestra is registered as a private club, so the government's powers are limited to withdrawal of the annual state subsidy of Sch2.5m. reserved for playing every night at the State Opera in Vienna.

Off colour

One felled, at least. The British Home Office announced yesterday that due to the extraordinary powers of perception of its prison officers, an armed robber's attempt to escape from Parkhurst prison on the Isle of Wight had been thwarted. It seems the inmate, serving a six-year sentence, spent two days colouring his body with a fluorescent yellow felt pen to make his warders think he had jaundice. He hoped that, once transferred to a hospital bed, he would find it easier to scurry down the corridor to freedom. The plan failed at its most vulnerable point - when a prison officer looked into his cell and saw the inmate colouring his face. "He had carefully painted all his body - even his private parts," one warder said. "He had made such a good job of it. He was a very bright yellow

Quick cuts

The mood in Moscow grows more surreal by the day as Boris Yeltsin's inauguration approaches. The Kremlin fixers are now planning to cut Friday's historic ceremony from one hour to 30 minutes - presumably to save Yeltsin from excessive exertions. The inauguration had promised to be a good bust. After all, it will be the first time in Russia's history as a sovereign nation that an elected leader will be sworn into office. Special anthems had been composed for the occasion and there were certain to be more than a few tots of chilled vodka. However, Yeltsin has not been seen by the general public since being re-elected on July 8. The rumour-mill continues to work overtime, while Yeltsin's aides try to make out that he is simply suffering from "colossal tiredness". He is still in fine intellectual form, they attest. At the same time, even the most pessimistic observers believe the inauguration is bound to go ahead. As cynical Russian journalists are fond of remarking in private, if not in print, there is nothing in the constitution to stop a dead man from becoming president.

Sock it to 'em

Lufthansa, the German airline which lost height a bit in terms of its first-half earnings, is working its socks off to reduce costs. But, in the course of its drive to cut DM190m from the 1996 outlay, it is trying its hardest not to tread on toes. One area coming under the spotlight is the greyish-brownish towelling "tube sock" - that device handed out in pairs to first and business class passengers that dispenses with both toe and heel in the name of mid-air comfort. Lufthansa has decided that its socks are "over-specified" - and that it can shave DM400,000 from the DM2an annual sock spend by reducing the 13 pages of instructions currently forwarded to the manufacturer to ensure the tube is correctly fashioned. Not that customers will be expected to suffer the confines of their Gucci loafers for the duration of the journey. They will still be offered a rather less complexly crafted affair, which the airline insists will be equally kind on the toes. A thought occurs. That *Wurst* stuff - a wite overspecified?

100 years ago Business Education Switzerland, not content with being the "playground of Europe," seems to be devoting a good deal of money and attention to the education of its youths in sound commercial principles. Schools and societies are subsidised on certain conditions by the State, and purses are granted to poor and deserving scholars to enable them to continue their studies either at home or abroad. The students who go to other countries, we learn, are encouraged to enter banks or other houses of business, and, at the same time, to attend classes at the universities of such countries, and they are bound to furnish a half-yearly report of their work. 50 years ago United States Prospect The new American Price Control Bill appears to have satisfied nobody. It has not removed labour's fears of undue restriction in profit margins. On balance, it possibly finds a little more favour with industry than with labour because it is more flexible and will yield more readily to the power forces making for higher prices. President Truman, however, fears that it will yield too easily to these forces and has threatened to recall Congress.

"Long-term business success comes from earning our customers' respect."



FINANCIAL TIMES

Tuesday August 6 1996

KYOCERA world leader in high-tech cameras, continuously develops new uses for its technology...



Croats refuse to move on Mostar

By Laura Silber in Belgrade

The European Union was last night on the brink of abandoning its two-year mission to reunify the town of Mostar...

EU on brink of abandoning effort to reunify Bosnian town

Mr Franjo Tudjman, the Croatian president, and extremists in Mostar have rejected international pressure to join the city council after Muslims won a narrow victory in June elections...

Bosnia-wide poll set for September 14. Mr Blit stressed that any EU concessions to the Croats would be an open invitation to each party and everyone to renegotiate elections or refuse to implement the results...

Mostar, which until 1994 was the scene of the most bitter fighting in the 10-month Croat war against the Muslims. The Mostar stalemate has weakened the Muslim-Croat Federation which, according to the Dayton plan, covers 51 per cent of Bosnia...

Dole plans \$548bn in tax cuts

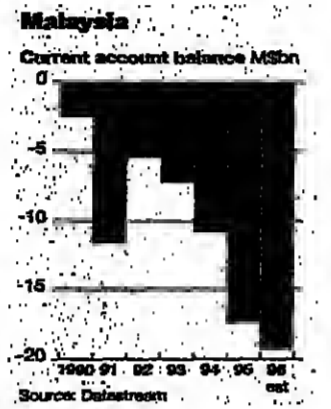
Continued from Page 1

ment to the US constitution to ensure that future administrations would be forced to eliminate the deficit. Even before he spoke, White House officials condemned the proposals, drawing unflattering parallels with former President Ronald Reagan's tax plans in the 1980 election campaign...

Malaysia warns of import controls to tackle deficit

By James Kynge in Kuala Lumpur

The Malaysian government warned yesterday that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit. Dr Mahathir Mohamad, prime minister, said yesterday...



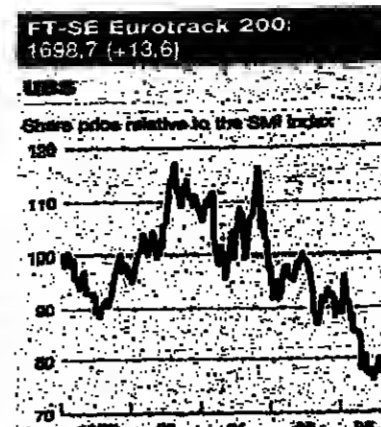
including Ms Rafidah Aziz, minister for international trade and industry, that controls would not be imposed on imports. Observers said Dr Mahathir's apparent change of heart reflected concern within the government over the current account deficit.

growth is expected to slow. Malaysia's deficit in the services component of the current account is likely to continue to climb. The current account deficit, which last year accounted for 8.6 per cent of gross national product, tends to apply downward pressure to the value of the ringgit...

Sedentary Swiss

THE LEX COLUMN

UBS has had a cracking first half. Booyed by rising financial markets, profits shot ahead by a third to SF1.1bn (\$0.91bn). Yet the Swiss bank's return on equity remains stuck at a dismal 9 per cent. That compares with 23 per cent at HSBC, which also reported yesterday...



ably, such a premium is justified on the grounds of geographic spread alone, which should mean HSBC's earnings stream is of higher quality. But even if investors do not give it credit for that, the current multiple clearly gives HSBC precious little credit for its formidable presence in fast-growing Asia...

collect a profit on its written-down value. And although it would lose passengers coming from USAir flights - said to be worth \$100m a year - BA would probably not find it difficult to attract another US partner, besides American. If it wanted...

BA/USAir

Poor old British Airways. Nobody is terribly interested in the company's first quarter results; all they want to know about is the apparent collapse of BA's relationship with USAir. But BA investors need not fret too much about the debacle...

HSBC

Yesterday's 4 per cent rise in HSBC's share price in response to a sparkling set of interim results was amply justified. Even stripping out fat one-off profits from asset sales, there was plenty of good news on the performance of the underlying business.

UK cable television

It is easy to see why UK cable companies have become such an unattractive investment. Telewest Communications yesterday revealed it was losing 96 per cent of its customers a year, while only one in five households within its network has signed up. Given that £1.7bn will be tied up in the system by the end of this year, this points to an alarmingly low return on capital...

Chinese to purchase advanced military radars

Continued from Page 1

airborne early warning for its fighters and radar cover for its ships. However, it quickly made a decision after two US aircraft-carrier battle groups staged high-profile exercises in the Taiwan Strait during the recent Taiwanese presidential elections.

to deploy naval task groups more aggressively in the South China Sea. As well as improving its radar capabilities, China is looking to update its Russian designed MIG 21 jets, dating from the 1960s, with new Russian Su 27 'Flanker' fighters.

its Nimrod maritime patrol aircraft, which hunt hostile submarines. The latest generation of the radar, Searchwater 2000, was also selected for the RAP's £1.5bn (\$2.8bn) replacement maritime patrol aircraft which was ordered last month.

Thor's factory at Crawley in Sussex, in a contract thought to be worth £40m. The increased capacity of the Chinese military is likely to be used by other south-east Asian countries to press the US to supply them with sophisticated weapons such as advanced medium-range air-to-air missiles.

FT WEATHER GUIDE. Europe today. Scotland and England will have some thunderstorms. Northern Ireland will have localised showers and sunny spells. In Scandinavia, it is expected to be sunny and dry. Temperatures will be around 20C.

Recommended Offer by Baring Brothers International Limited on behalf of Whitbread PLC for The Pelican Group PLC. Baring Brothers International Limited announces on behalf of Whitbread PLC that, by means of a formal offer document dated and limited 5th August 1996, Baring has made an offer of Whitbread to acquire the whole of the issued and to be issued share capital of The Pelican Group PLC.

FI... Italy plans to go ahead with \$10... telecoms sell-off... Various other advertisements and notices on the right margin.

Handwritten Arabic text: صكرا من الال